

## CHAPTER 15

### ECONOMIC DEVELOPMENT TRAINING MANUAL

#### I. INTRODUCTION.

This Chapter is not intended to address all issues related to the management of Economic Development projects, but rather to interface with the other chapters of this manual, your Standard Agreement, Federal and State regulations, the NOFA under which applications are accepted, and your approved application. Each chapter in the Grants Management Manual should be reviewed for its applicability to your grant. It is imperative that any grantee, funded for economic development from CDBG grant funds or approved to utilize CDBG program income to fund an economic development activity, become familiar with this manual in its entirety. This Chapter highlights management-related issues of additional importance to Economic Development projects. However, this chapter will site references to those chapters within the text. ***It should be noted that documents in this chapter supersede previous Grants Management Manuals and Training Manuals. This chapter will also apply to any activity funded with Program Income from the Business Assistance RLA.***

Please note:

In the past, infrastructure projects designed to overcapacity were required to report job creation for one year past completion of construction of the improvements in the public right of way, in order to attempt to reach a \$10,000/job threshold. A closer reading of the CFR24 Part 570.483(b)(4)(vi)(F)(1) and (2) indicates that this requirement applies only to job creation under benefit to the targeted income group, and not the projects meeting the eradication slums and blight national objective. Therefore, a project designed to overcapacity and meeting the eradication of slums and blight national objective is not required to meet other than the \$35,000 public benefit test and the HUD eligibility guidelines at 570.482(e)(2)(i)-(vi)

#### II. GRANTEE RESPONSIBILITIES.

##### A. Managing a CDBG Economic Development Allocation Grant.

1. **Defining Roles:** Scheduling a meeting to review and assign roles and responsibilities for all program participants who were identified in the application task matrix is an important first task for fulfilling special conditions. **We recommend that shortly after your contract takes effect you schedule a meeting with all of the following:**

- your ED representative,
- the local staff person and/or consultant who will be handling the day-to-day administration of the grant and/or

implementation of the business assistance or microenterprise assistance program,

- your Executive Officer who will be receiving and reviewing the State's monitoring and auditing reports,
- the financial officer who will prepare periodic or semi-annual financial reports,
- the job training agency representative who will be responsible for recruitment, job training and income verification of job applicants and employees,
- *as is applicable*, the labor standards coordinator who will be reviewing payrolls for Federal prevailing wage compliance *and*
- the public works representative who will oversee the construction of off-site publicly owned infrastructure improvements.
- a representative of the business or developer for an OTC project

The ED representative will review the overlay and reporting requirements and assist you with developing a timeline for satisfying the special conditions listed in your contract. This is the time to clarify any performance requirements.

- 2. Clearing Special Conditions:** As the grantee, you must clear the Special Conditions listed in Attachments A and B of the Standard Agreement prior to incurring any project or program-related costs. However you may use General Administration (GA) to clear Special Conditions once the Standard Agreement is fully executed and the NEPA clearance for the GA (included in the application) is approved. Under certain circumstances, you will be approved to begin incurring costs prior to execution of the Grant Agreement but you must make a written request to the Department and must receive a written approval. Contact your area representative for further instruction if you anticipate a need to incur costs immediately after receiving a formal award letter signed by the director.

Standard **90-Day Special Conditions** include:

**Environmental Compliance** (*Applies to ALL grant activities*)

As the grantee, you must satisfy NEPA and CEQA prior to being approved for delivery of services, or any site work or business loan activity. In addition, each time you take an Enterprise Fund or Microenterprise *loan request* before the local loan advisory board, you must complete the environmental review process *prior* to implementing the activity and must be approved for drawdown by the Department, via the Enterprise Fund Drawdown Approval Checklist. A copy of this checklist is in the Supporting Materials of this chapter. Formal noticing for projects requiring public comment and comment by oversight agencies is required on larger, more involved construction or expansion projects, and therefore the timing of special conditions clearances is basic to successful performance. Signed contracts and agreements insure that all parties are apprised of their responsibilities and will contribute to the smooth

operation of the grant. As this special condition is cleared, your area representative will memorialize that clearance in writing for your files. At monitoring, your files should demonstrate that no costs were incurred prior to clearance of this special condition.

**Employment Agreement** (*Applies to Business Assistance and Over the Counter activities only*)

Where the national objective being met through job creation or retention, prior to disbursement of funds for business assistance the Grantee shall submit an executed **Employment Agreement** per 24 CFR 570.506(b)(5),(6), and (7)]. The Employment Agreement directs the business to create or retain the required jobs by the expiration of the grant. If the national objective to be met is benefit to the targeted income group (TIG) it must also state that at least 51 percent of all jobs created or retained (on a full-time equivalent basis) will be held by Targeted Income Group persons. If the national objective is slums and blight eradication, the Employment Agreement commits the business to provide quarterly payrolls documenting employment at the project site. In either case, the Agreement will also reference the \$35,000/job public benefit requirement. The Employment Agreement shall specify that, prior to receiving assistance, the business shall agree to:

- Provide a listing by job title of the permanent jobs projected to be created;
- Identify which jobs, if any, are part-time and the annual hours of work for each position;
- Identify which jobs are projected to be filled by the Targeted Income Group;
- Provide periodic reporting (at least quarterly) that lists jobs, by job title, of all the permanent jobs actually filled, and which of those jobs are held by members of the Targeted Income Group. Additionally, the report shall include the job applicants' and jobholders' ethnicity/race, handicapped status, gender, and head of household status.

**Program Guidelines** (*Applies to the Business Assistance Loan Program and Micro-enterprise Assistance Program*)

While Program Guidelines are a completeness requirement for application submittal, the applicant will be required to confirm that the Program Guidelines thoroughly address all overlay and underwriting requirements. The Department may require a revision of the guidelines to meet these requirements. Therefore, a set of **approved Program Guidelines** shall be submitted to clear this condition. The program guidelines must ensure compliance with all CDBG federal and state overlay and underwriting

requirements as described in 24 CFR part 570, Appendix A, “Guidelines and Objectives for Evaluating Project Costs and Financial Requirements”, and with public benefit requirements contained in 24 CFR 570.482(f).

**Beneficiary Tracking Plan** (Applies to the Microenterprise Assistance Program only)

**Impact Fee Plan and Sample Agreement (*Applies to infrastructure grant activity only*)**

It is the intent of the CDBG program to fund only infrastructure improvements that are necessary for the identified business to go forward. Where necessary, infrastructure may be sized for excess capacity in the instance where future development of contingent under or undeveloped parcels is anticipated. You are advised to negotiate for impact fees from businesses and landowners that will benefit from the CDBG-assisted project. Distinct from ongoing operating fees, Impact fees are intended to capitalize a fund for CDBG eligible activities similar to the reuse of loan repayments. A impact fee plan must describe the amount of the impact fee charged to each benefiting business and/or property owner and the mechanism that will be used to collect impact fees from future users.

While an Impact Fee Plan and Sample Agreement was required in the application for funds, a final plan and draft agreement, incorporating any required changes subsequent to rating and ranking, must be submitted for Department approval,. The plan must be submitted prior to the disbursement of CDBG funds for every infrastructure activity, whether the activity was funded under the Enterprise Fund or Over-the-Counter program. The plan shall include the fee structure and methodology for recapture and specify how the Grantee will administer and ensure compliance by future development, including the requirement that the future development complies with CDBG job creation and principal benefit to the Targeted Income Group requirements [see CFR 570.483(b)(4)(F)].

### 3. Documenting Eligible Beneficiaries

**Public Benefit:**

Each business provided assistance under the CDBG-ED Program must demonstrate that the assistance provided meets minimum federal public benefit standards. (Note exception below.) The amount of CDBG assistance to an individual business cannot exceed \$35,000 per full time equivalent (FTE) permanent job created.

A single job counts as a permanent, full-time job if it provides at least 1,750 hours of employment during the year. Permanent part-time jobs can be aggregated into full-time equivalent (FTE) jobs only if the part-time job provides at least 875 hours of employment per year.

**Owners/principals** of businesses, **spouses of the owner** of the business and **family members** with an ownership interest in the business, do not count toward meeting the public benefit requirements in Business Assistance activities.

**EXCEPTION:** the public benefit requirement does not apply to the **micro-enterprise assistance program**, where CDBG funds assist qualified micro-enterprises (ex. five or fewer employees, one of whom is the owner of the business).

**Seasonal jobs (ex. at a vegetable packing plant) may be considered to be permanent jobs only if the duration of the season is long enough for the job to be considered as the person's principal occupation and principal source of work-related income.**

### **Targeted Income Group (TIG )**

You must maintain records that verify the number of targeted income group (TIG) families benefiting from the jobs created by the CDBG-assisted project or from microenterprise assistance to the identified micro-entrepreneur or potential micro-entrepreneur.

In **Job Creation** projects, the Grantee must require compliance with National Objectives and Public Benefit requirements. If meeting the TIG requirements, at least 51% of the 100% screened beneficiary population must demonstrate TIG eligibility, either through census/presumption records, records kept by the screening and referral agency or as demonstrated by signed self-certifications. A beneficiary is the employee hired as a result of the CDBG assistance.

**Note:** The Department will not accept the salary level of the job as evidence that a job is held by a TIG employee. Each employee's total family income must be calculated and then compared to the HUD income eligibility levels per county (see Appendix D) to establish TIG eligibility.

In very rare cases, the Department may accept a **Self-Verification** in place of a Self Certification form. The Self-Verification of Income form must be used sparingly and is discouraged unless it can be demonstrated that it is the only option available for income screening and verification. It is the Grantees responsibility to obtain prior approval of the use of the Self-Verification form from the Department. In no instance may self-Verifications be the only source of eligibility documentation for assistance to a business or microenterprise size business.

In **Job Retention** projects the business must have provided evidence that it faced imminent closure and that without CDBG assistance, the jobs would have been lost.

Acceptable examples of clear and objective evidence include:

- a notice issued by the business to affected employees
- a public announcement by the business (e.g., a press release or letter to the jurisdiction), or
- financial records provided by the business that clearly demonstrate the need for closing or moving all or portions of the business out of the area or that without financial assistance the business will not be able to sustain itself.

If 51 percent of the current workforce is in the TIG and CDBG funds will prevent business failure, the project qualifies as job retention. An income survey of existing employees must document that CDBG funds are retaining jobs that are principally held (51 percent) by TIG employees. Signed self-certification forms must be completed for each retained employee documenting family income. The income determination for retained employees must be made at the time CDBG funds are requested and prior to any decision to provide CDBG assistance.

Alternatively, if the current workforce demonstrates less than 51% TIG benefit, the proposal may still be eligible if it can be demonstrated that, based on historical data, the anticipated job turnover during the grant term will result in job opportunities for TIG. The combined retained TIG jobs and those filled by TIG through job turnover over the next 24 months may qualify the project as eligible for CDBG funds. In this instance an Employment Agreement must be executed for any job turnover

In the **Microenterprise Assistance Program**, 100% of the participants receiving CDBG assistance must provide full back-up documentation proving that they are members of the Targeted Income Group. A “Preliminary Intake” form has been provided for grantees to use to determine probable eligibility. This is only a preliminary indicator tool and does not stand alone. Full back-up documents must still be obtained. **Grantees may NOT use presumptions or Self-Certification forms for Microenterprise programs.**

In an **Infrastructure project** where the projected costs per job for the initially benefiting business(es) is less than \$10,000, then the TIG benefit requirement (minimum 51% benefit to TIG) shall be determined from the jobs created by the initially benefiting business.

Where CDBG funds are used in an Infrastructure project in support of an initially benefiting business, but the projected cost per job in CDBG funds is \$10,000 or more and excess capacity is available to future users, the TIG benefit test and national objective requirements shall also be applied to future users. The Grantee must determine the service area of the infrastructure improvements and develop and implement a mechanism (Impact Fee Plan) for identifying businesses that locate or expand within the

service area and for tracking job creation and TIG benefit for these businesses for the period from the date that the CDBG assistance is approved to the date one year after the physical completion of the public infrastructure improvements. As such, the reporting requirements for tracking *additional* job creation and TIG benefit above and beyond the initial commitment may in some instances extend beyond the term of grant agreement.

In the **Developer Project**, the Grantee must require compliance with National Objectives and Public Benefit requirements as a condition of assistance to the developer. In turn, a developer must inform lessees of this through the covenants of the lease with remedies or penalties established for failure to satisfy the covenant. If you provide assistance in the form of off-site improvements to a facility such as a shopping center, small business incubator, or office building, where space will be leased to more than one individual business, the National Objective and Public Benefit requirements will be applied to the development as a whole. To ensure that the purpose of CDBG funds is understood by the private business entities, you must make National Objective and Public Benefit compliance a specific covenant of such documents as the Impact Fee Agreement (see the example of an Impact Fee Agreement in the “Supporting Materials” section of this chapter), loan documents, Owner Participation Agreement, Development and Disposition Agreement, or lease agreement.

All agreements should have a **non-monetary default clause** that declares the borrower is in default if job creation or retention national objective and public benefit obligations are not met. This explicit clause regarding the business' responsibility for meeting national objective and public benefit requirements, must be made a part of any Loan Agreement, but it must also be made part of any Development Agreement between the jurisdiction and any developer benefiting from a CDBG-assisted improvement or Lease Agreement between the CDBG-assisted developer and any business benefiting from a CDBG-assisted project and must include language to ensure that job creation/retention and TIG benefit reporting requirements are incorporated into these agreements.

A standard covenant of all CDBG funded loans is that they are due and payable upon sale or refinance or change of majority ownership. ***CDBG funded loans are not assumable.***

*Please Note:* If the business creates more jobs than originally projected in the application and/or specified in the State agreement, then, to meet the national objective of principally benefiting TIG members, at least 51% of all jobs created must benefit members of the TIG. A grant may proceed to closeout as soon as all work has been completed and the job commitment has been met.

- H. **Confidentiality:** The financial documentation file should contain all confidential information submitted to substantiate the need for CDBG funding, including the basis for determining that the amount and terms of the CDBG assistance are

appropriate, given the documented financial needs of the business and the public benefit that will result from the project. The credit analysis and historical financial information, personal financial information, pro forma financial information with assumptions, and the business and marketing plans should remain confidential. This information should be kept in a locked file and is not typically made available for public review. Any request for this information, or other information related to the use of CDBG funds, should be reviewed with the jurisdiction's legal counsel for conformity with the Public Records Act.

*Per the PUBLIC RECORDS ACT*

"Applications and grant agreements are public information and are available for review by the public. Applicants are advised that information submitted to the State may have to be made available to the public under the State Public Records Act unless an exemption under this Act applies to the information submitted and the applicant establishes a valid claim of confidentiality under such exemption."

Therefore, the Department has determined that to the extent information is a trade secret or proprietary information, it will remain confidential. To the extent the information involves a business's financial statements, if it was central to determination of funding, disclosure could be required.

In no instance will information be released during the competitive process. ***All*** information submitted in an application remains confidential until an approval for funding has been made by the Director of the Department of Housing and Community Development.

Should the Department or the Grantee receive a demand for disclosure after funding has been approved, the Department or the Grantee will contact the private party (developer and/or business owner) who's information has been solicited, informing them of a demand for information and advising them that if they object to the Department releasing that information, they must state on what grounds the information should be withheld as confidential. The Department must release that information unless the private party in question takes these appropriate measures to prevent the release.

- J. Monitoring:** It is your responsibility to conduct ongoing monitoring of your grant activity as a part of portfolio management. The Department typically monitors your ED program for job creation/retention performance and microenterprise performance approximately six months prior to the date that your State contract expires. Infrastructure grants may be monitored twice, once during construction to review for wage compliance and again as the grant is nearing expiration to review for general compliance and national objective performance. If a program operator is keeping grant files at its headquarters, the operator must provide a second copy of all file documents for the grantee at city or county headquarters, unless the grantee is making regular (i.e. monthly) visits to the operator for ongoing monitoring of grant progress. All documents must be made available

for review at Grantee headquarters during the State monitoring.

**K. Close-out.** Upon close-out monitoring, the Department will review your program for compliance with all federal and state overlay and performance requirements, including:

1. Each CDBG-assisted project (e.g., each loan to a business) must meet a national objective. If the national objective being met by a project is to principally benefit the TIG, then 51 percent of the actual jobs created or retained must be filled by TIG persons under a Business Assistance program, and 100% of service to TIG persons under a Microenterprise Program.
2. Private leverage has been documented and expended.
3. CDBG funds have been expended for the purpose described in the application and drawdown requests.
4. You have reported on a timely basis, and have no outstanding monitoring or audit findings.
5. Cost per job created/retained is consistent with the original grant application and, at minimum, meets national objective and applicable public benefit requirements.
6. Microenterprise Assistance Program beneficiary tracking and reporting is consistent with the original grant application and, at minimum, meets Federal national objective requirements.

A grant may proceed to closeout as soon as all work has been completed and the job commitment has been met.

### **III. COMMON PROBLEMS.**

- Failure to inform the CDBG program representative of project complications
- Failure to apply HUD income guidelines when verifying family household income
- Failure to conduct ongoing monitoring of program operators
- Failure to track job creation/retention through business-generated quarterly reports
- Failure to perform appropriate environmental clearance for Enterprise Fund credit lending
- Failure to submit Document Checklist for Drawdown Approval on Enterprise Fund or Program Income Revolving Loan Account loans prior to disbursement of funds

- Inadequate documentation to support borrower's request for funds on Enterprise Fund loans
- Inadequate documentation of loan/credit files, including but not limited to;
- Failure to document total project costs with third party receipts, etc. within grant period
- Failure to document equity injection within grant period

**IV. DEPARTMENT'S ROLE.** The ED portion of the CDBG Program is administered by the Department's State Enterprise and Economic Development Section. ED representatives are responsible for providing technical assistance to ED grantees throughout the life of the grant. The ED representative will conduct monitoring site visits to review your files, interview the staff and any contractors who have a role in the project, and provide technical assistance on compliance problems. The monitoring visits will cover all Federal overlay requirements, CDBG project costs, private leverage and jobs, and the use and tracking of program income. During the close-out evaluation, the Department will compare your performance to the factors listed above to determine grant achievement. The Department will consider your overall performance in its evaluation of the percentage of program income that may be retained locally.

**V. REFERENCES.**

- State CDBG Regulations, Section 7062.1, describes eligibility criteria and procedures for reviewing an application for funding under any of the program components authorized under the Economic Development Allocation of the State Small Cities CDBG Program
- Federal Statute, Section 104(b)(3), requires every economic development grant to meet a national objective: 1) benefit to low-and-moderate income persons; 2) elimination of slums and blight; 3) meeting an urgent community need.
- 24 CFR 570.483(b)(4), and Statute Section 105(c)(1)(C) of the HCD Act of 1974, state that a business assistance activity principally benefits TIG persons through new or retained jobs.
- 24CFR 570.483(b)(2)(iv) and Statute Section 105(c)(23)(A-C) of the HCD Act of 1974 define microenterprise assistance eligibility and scope of services.
- Federal Statute, 105(a)(17) of the HCD Act of 1974 and 24 CFR 570.482(e), requires that the state and/or local grantees conduct basic financial underwriting prior to the provision of financial assistance to a for-profit business. This analysis is conducted whenever CDBG assistance is provided directly to a for-profit business for an economic development project (e.g., a loan to a business or a grant for infrastructure improvements needed to accommodate a business

retention or expansion project.) The purpose is to ensure that the amount of financial assistance provided to a for-profit business is not excessive, taking into account both the actual needs of the business and the extent of public benefit (i.e., number of jobs that will be created or retained) expected to be derived from the economic development project.

- 24 CFR 570.482(f), requires that at least a minimum level of public benefit in the form of job creation or job retention is obtained when CDBG assistance is provided to economic development projects, other than microenterprise assistance to Economic Development limited clientele (100% TIG).
- 24 CFR 570.506 specifies the grantee's record keeping requirements
- 24 CFR 85.40 requires that grantees monitor performance of CDBG-supported activities to assure that time schedules are being met, quarterly work units (i.e. jobs or microenterprise assistance units of service) are being filled, and other performance goals are being achieved.
- 24 CFR 85.20 requires that recipient and subrecipient financial management systems provide for accurate, current and complete disclosure of the financial transactions relating to the grant, including collection and expenditure of program income.
- 24 CFR 85.36 requires that construction contracts and contracts for professional services be awarded pursuant to an open bid process or competitive negotiation.

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## Verification of TIG Income Status

The grantee may use any of the listed approaches either singly or in combination to verify <u>jobs created or retained</u> by the same assisted activity. See Section 570.483 for Area Benefit, Limited Clientele, Housing Activities or Planning TIG criteria.				
<p>Current regulations allow the presumption that an applicant/employee belongs to TIG if</p> <ol style="list-style-type: none"> <li>1) the employee resides in a census tract (or block numbering area) which has at least 70% of its resident who are TIG; <b>or</b></li> <li>2) the employee resides in, or the business is located in and the job under consideration is to be located within a census tract (or block numbering area) which: <ol style="list-style-type: none"> <li>a. is part of a Federally designated Empowerment Zone or Enterprise Community; <b>or</b></li> <li>b. has a poverty rate of at least 20% as determined by the most recent decennial census information; <b>and</b></li> <li>c. it does not include any portion of a central business district, unless the tract has a poverty rate of at least 30% as determined by the most recent decennial census information; <b>and</b></li> <li>d. it evidences pervasive poverty and general distress if all block groups in the census tract have poverty rates of at least 20%, <u>or</u> the specific activity is located in a block group that has a poverty rate of at least 20%, <u>or</u> up on the written request of HUD to determine that the census tract exhibits other objective signs of general distress (high rates of crime, drug use, homelessness, abandoned housing and deteriorated infrastructure or population loss.</li> </ol> </li> </ol>	<p>Evidence that the employee/applicant was a referral from a state, county, or local employment agency or other entity that has agreed to refer individuals whom they have determined to be TIG based on HUD's criteria. These entities must maintain records showing the basis upon which they determined that the person was TIG, which they agree to make available for grantee, or Federal/State inspection; <b>or</b></p>	<p>Evidence that the employee/applicant has qualified for assistance under another program with income qualification criteria at least as restrictive as those used by this program (e.g. referrals from Public Housing or the welfare agency). The WIA/JTPA program has income standards that are acceptable for this purpose, except for referrals under the JTPA Title III program for dislocated workers; <b>or</b></p>	<p>Evidence that the person is homeless; <b>or</b></p>	<p>A written certification signed and dated by the employee/applicant indicating his/her family size and total income as necessary to determine whether the person is a member of a TIG income family at the time the certification is made. The certification may either show the actual size and income of the family or contain a statement that the annualized family income is below the HUD low-income limit for the applicable family size. The form must include a statement that the person making the certification is aware that the information being provided is subject to verification by the local, State or Federal government</p>

Examples: Written documentation from <a href="http://www.ezec.gov">www.ezec.gov</a> or <a href="http://www.census.gov">www.census.gov</a>	Example: CDBG recommends obtaining documentation for all employees screened by an agency.	Example: Award letters or verified by contact with the assistance agency.	Example: Award letters or verified by contact with the assistance agency.	Example: Self-Certification Form.
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## EMPLOYMENT PROJECTION FORM

**NOTE:** This form must be filled out for each business and signed by an authorized business representative.

1. Company Name \_\_\_\_\_
2. Current workforce as of date of application: \_\_\_\_\_  
(Date)
3. Job Information for created or retained jobs.

Classification/Title (Created = [C] or Retained = [R])	Wage	Number of Jobs		TIG	
		Full-time	Part-time	Y	N
	(Please note whether wage is based on hour, month, or year)	(Minimum 1,750 hours per year)	(Minimum 875 hours per year)		
TOTAL					

4. Number of "full-time equivalent" jobs. \_\_\_\_\_ (A full-time equivalent" job is two part-time jobs each a minimum of 875 hours/year, that equals one full-time job of at least 1,750 hours/year.)

## BENEFICIARY AND EMPLOYMENT PLAN AGREEMENT MODELS

The following Model Beneficiary and Employment Plan Agreements are only a suggested format for jurisdictions intending to contract for placement and/or training services. However, the requirements contained within the agreements should be included in any contract for these services.

The State CDBG Program requires jurisdictions to use the HUD definition of family income eligibility.. Targeted Income Group eligibility is determined by using Department of Housing and Urban Development Income Eligibility limits per county and family size for the year in which they are employed and applying them to the self-certifications submitted by the job applicants The Department defines family income as all sources of income for one or more persons living in a single residence who are related by blood or marriage. (See Appendix D for guidelines on income inclusions and exclusions)

**For Beneficiary Projects.** The CDBG Program requires **all** participants of a CDBG-funded microenterprise assistance program to be income screened and verified as members of a family with an income of 80% or less of the annual countywide household income at the time they are screened and verified. It is important to note that most screening and referral agencies do not require **100 percent verification** of the income eligibility of applicants who are placed and it will therefore be necessary to contract for these additional required services prior to implementation of the program, where necessary.

**For Job Creation Projects.** At least 51% of employees hired during the term of the grant must demonstrate TIG eligibility, either through census\presumption records, records kept by the screening and referral agency or as demonstrated by signed self-certifications. Self-certification must have been completed before the job applicant is hired for the position if the employee is being hired to meet the TIG national objective requirement under this grant.

**For Job Retention Projects.** If 51 percent of the current workforce is in the targeted income group and CDBG funds will prevent business closure, the project qualifies as job retention. An income survey of existing employees must document that CDBG funds are retaining jobs that are principally held (51 percent) by TIG employees. Signed self-certification forms must be completed for each retained employee documenting family income. The income determination for retained employees must be made at the time CDBG funds are requested and prior to any decision to provide CDBG assistance.

Alternatively, if the current workforce demonstrates less than 51% TIG benefit, the proposal may still be eligible if it can be demonstrated that, based on historical data, the anticipated job turnover during the grant term will result in job opportunities for TIG. The combined retained TIG jobs and those filled by TIG through job turnover over the next 30 months may qualify the project as eligible for CDBG funds.

**Note:** To meet the job creation or job retention income eligibility requirement, the Department will not accept the salary level of the job as evidence that a job is held by a TIG employee. Each employee's total family income must be calculated and then compared to the 80% of median income levels per county (see Appendix D) to establish TIG eligibility.



## EMPLOYMENT PLAN AGREEMENT

The City/County of ABC [**City or County**] and the Screening and Referral Agency [**Agency**] agree to the following terms and conditions relating to Grant Number [EDBG] or [RLA] also known more specifically as the ABC Main Street Project.

1. **Agency** will work with businesses to be assisted to determine employment and training needs and to assist the business in utilizing various on-the-job training programs and job tax credits.
2. The following community organizations will be contacted by **Agency** regarding job opportunities created by the CDBG assistance.
  - Department of Rehabilitation
  - Educational or Training Institution
  - Regional Occupational Program
  - Employment Development Department
  - Department of Human Resources
  - Community Opportunity Center
  - Veteran's Services
  - Area Agency on Aging
  - Refugee Services
  - Other (as identified)
3. **Agency**, in coordination with the [**City/County**] and each business, will utilize any or all of the following methods to advertise job opportunities generated from the CDBG assistance.
  - Press Releases
  - Newspaper Ads
  - Posters
  - Flyers
  - Radio
  - Chambers of Commerce
4. The **Agency** recruiting office will work closely with the Workforce Investment Board, the [**City/County**] and the [Educational or Training Institution] in developing job recruiting efforts.
5. The [**City/County**] will be responsible for monitoring the contract between the business and the **Agency** and ensuring that at least 51% of **ALL** jobs created or retained as a result of the CDBG assistance are filled by persons who meet CDBG income eligibility requirements.
6. **Agency** will collect and maintain income client characteristic data relating to those eligible clients referred to and those referrals hired by each business. This data will be provided on a regular basis to the [**City/County**], per the reporting schedule in Attachment #2.
7. The **Agency** will maintain a recruitment file on all CDBG assisted related activities

and that file will be available to the [City/County] upon request.

8. **Agency** shall assist each business in recruiting, screening and/or referring eligible applicants for employment. Eligible applicants are defined as being eligible under the CDBG regulatory guidelines for household income, area benefit or limited clientele.
9. Each business shall work cooperatively with the **Agency** to provide employment data and allow access to its place of business for purpose of carrying out its responsibilities described herein. Each business shall also refer all direct hires to **Agency** for income screening to determine Target Income Group status on hiring date.
10. Compensation for income screening and employee training services is set forth in the attachment, which details unit costs for publicity, eligibility screening referral, training, etc.
  - a) Maximum amount to be paid shall not exceed the total of all unit costs in payment detail.
  - b) Per attached payment detail, Forms Development/Modifications to meet additional HUD Income Guidelines requirements will consist of:

This agreement shall take effect when it has been executed by authorized representatives from all parties, and shall be in effect for a term of three years from the execution of the Standard Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year dated below.

**Agency**

**City/County of ABC**

By: \_\_\_\_\_ By: \_\_\_\_\_

Date: \_\_\_\_\_ Date: \_\_\_\_\_

Attachment #2

**Payment Detail**

FOR AGREEMENTS WITH AGENCY

Forms Development/Modification: \$

+

PUBLICITY/RECRUITMENT: \_\_\_\_\_ @ \$ \_\_\_\_\_ ea.

ELIGIBILITY SCREENING: \_\_\_\_\_ @ \$ \_\_\_\_\_ ea.

REFERRAL: \_\_\_\_\_ @ \$ \_\_\_\_\_ ea.

PLACEMENT/TRAINING (optional): \_\_\_\_\_ @ \$ \_\_\_\_\_ ea.

OTHER \$

+

TOTAL \$

FLAT FEE PER REFERRAL \$ \_\_\_\_\_ ea.

MAXIMUM AMOUNT TO BE PAID UNDER THIS AGREEMENT \$

## BENEFICIARY PLAN AGREEMENT

The City/County of ABC [**City or County**] and the Screening and Referral Agency [**Agency**] agree to the following terms and conditions relating to Grant Number [EDBG] or [RLA] also known more specifically as the ABC Main Street Project. also known as the **City/County of Sample** \_\_\_\_\_ Program.

1. **Agency** will work with eligible program participants and potential entrepreneurs to be assisted to determine business assistance, employment and training needs and to assist the beneficiary in utilizing various business readiness, counseling, support services and training programs.
2. The following community organizations will be contacted by **Agency** regarding potential referrals for entrepreneur assistance by the **City/County of Sample** \_\_\_\_\_ Program.
  - Department of Rehabilitation
  - Educational or Training Institution
  - Regional Occupational Program
  - Employment Development Department
  - Department of Human Resources
  - Community Opportunity Center
  - Veteran's Services
  - Area Agency on Aging
  - Refugee Services
  - (Others as identified)
3. **Agency**, in coordination with the [**City/County**], will utilize any or all of the following methods to advertise the **City/County of Sample** \_\_\_\_\_ Program and job opportunities generated from the CDBG assistance.
  - Press Releases
  - Newspaper Ads
  - Posters
  - Flyers
  - Radio
  - Chambers of Commerce
4. The **Agency** recruiting office will work closely with the Workforce Investment Board, the [**City/County**] and the [Educational or Training Institution] in developing recruiting, self-employment and employment efforts.
5. The [**City/County**] will be responsible for monitoring the contract with and services provided by the **Agency** and ensuring that 100% of participants assisted through the CDBG funded program meet CDBG income eligibility requirements.
6. **Agency** will collect and maintain income client characteristic data relating to those eligible clients referred to programs and businesses . This data will be provided on a regular basis to the [**City/County**], per the reporting schedule in Attachment #2.

7. The **Agency** will maintain a recruitment file on all CDBG assisted related activities and that file will be available to the **[City/County]** upon request.
9. Each participant shall work cooperatively with the **Agency** to provide eligibility data prior to participation in the **City/County of Sample** \_\_\_\_\_ Program.
11. Compensation for income screening and is set forth in the attachment, which details unit costs for publicity, eligibility screening referral, training, etc.
  - a. Maximum amount to be paid shall not exceed the total of all unit costs in payment detail.
  - a. Per attached payment detail, Forms Development/Modifications to meet additional HUD Income Guideline requirements will consist of:

This agreement shall take effect when it has been executed by authorized representatives from all parties, and shall be in effect for a term of three years from the execution of the Standard Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year dated below.

**Agency**

**City/County of ABC**

By: \_\_\_\_\_ By: \_\_\_\_\_

Date: \_\_\_\_\_ Date: \_\_\_\_\_

**Attachment #2**

**Payment Detail**

FOR AGREEMENTS WITH AGENCY

Forms Development/Modification: \$

+

PUBLICITY/RECRUITMENT: \_\_\_\_\_ @ \$ \_\_\_\_\_ ea.

ELIGIBILITY SCREENING: \_\_\_\_\_ @ \$ \_\_\_\_\_ ea.

REFERRAL: \_\_\_\_\_ @ \$ \_\_\_\_\_ ea.

OTHER \$

+

TOTAL \$

FLAT FEE PER REFERRAL \$ \_\_\_\_\_ ea.

MAXIMUM AMOUNT TO BE PAID UNDER THIS AGREEMENT \$

## **MICROENTERPRISE BENEFICIARY TRACKING And COST ALLOCATION PLAN**

**Project:** (Description of funded activity and TIG beneficiaries, i.e. services and/or job creation per grant agreement.) This **Plan** incorporates the **Microenterprise Statement of Purpose** as an attachment.

**Benefit to Low-Mod Income Household:** limited clientele, job creation/retention)

**Goals:** (As outlined in Enterprise Fund Application)

1. **Provide services to \_\_\_\_\_ (estimated) [city/county] Targeted Income Group (TIG) clients** for the purpose of developing **microenterprise businesses** and/or
2. **Award \_\_\_\_\_ loans** to TIG microentrepreneurs to assist in starting or expanding micro-business in the [city/county].

**Roles/Responsibilities of Participating Service Providers:** (i.e. social services, job training and placement agency, WIB, SBDC, educational institution, consultant)

1. Organization or Individual and Service Provided: \_\_\_\_\_  
Contract for Services (to be submitted upon execution)
2. Organization or Individual and Service Provided; \_\_\_\_\_  
Contract for Services (to be submitted upon execution)
3. Organization or Individual and Service Provided; \_\_\_\_\_  
Contract for Services (to be submitted upon execution)

**Marketing of Services:** (brief narrative describing outreach to and interface with social services and placement agencies including affordable housing agencies, family or women's service centers, local career centers and CDCs, coordination with service providers and timeline for delivery of services/programs)

**Screening/Assessment/Referral Process:** (narrative, referencing contracts for services identified above and data collection formats referenced below, for each of the following)

1. Coordination with social service eligibility/workforce investment agencies resulting in referral to the program
2. Intake of application for participation in the each phase of the program by individuals and business owners
3. Income screening procedures for participation by, and reimbursement for services to, TIG household individuals
4. Needs assessment and referral procedure between services and programs
5. Evaluation of services/programs by beneficiaries

**Programs/Services Tracking System:** (Narrative describing spreadsheet tracking system as highlighted in **Forms** below, outlining process for tracking beneficiaries through the each stage of the program of services identified in **Goals (1)** above.) (***Identify by eligible activity per Statement of Purpose Attachment:*** program or service description, service provider, location of program or service provided, number of anticipated participants per activity, number of times service or program is anticipated to be offered, format for tracking beneficiaries as identified below:)

## Tracking/Reporting/Evaluation of Services Tools (tools attached)

**(City/County) Microenterprise Program Application:** Intake form distributed to individuals who will be participating in the program by microenterprise program staff. To be used to determine income eligibility, to identify applicant's business concept or entity and additional resources, to assess individual for readiness and to make appropriate referrals. Application includes:

1. **Authorization Form For Family Income Certification:** Included in beneficiary's submitted application for services. Certifies that information presented is accurate and that documentation will be provided upon request and authorizes representatives of the (city/county) and/or the State of California Housing and Community Development Department to verify household income through a release of information form.

2. **Entrepreneurial Assessment Evaluation Form:** Business readiness assessment to be reviewed by the [SBDC/Program administrator, lead staff, microenterprise trainer] to determine the feasibility of the business concept and appropriate entrance level for program services.

**Beneficiary and Employment Plan Agreement:** Executed agreement between referral agency and grantee, identifying resources for referrals and defining roles and responsibilities of the two entities in meeting the national objective and public benefit, and job creation requirements (where applicable), associated with CDBG loan funds. References Income Verification Form and Three-party Employment Agreement where applicable, as attachments.

1. **Income Verification Form:** Certified by screening agency. Identifies income verification method to be used and required forms of documentation which will be attached. Will include public assistance or income tax information for each participant, as appropriate. Model to be submitted with executed Beneficiary and Employment Plan Agreement. Signed form to be kept in applicant's files.

3. **Individual Self Employment Plan:** (prepared by participant in partnership with microenterprise program administrator, incorporating individual participant's goals and outcome measurements). Can include or be replaced by Business Plan preparation and execution.

4. **Tracking System Reporting Format:** Spreadsheet tracking system that follows each income eligible applicant through the program, recording services provided, time allocated, costs incurred and funds leveraged. Separate tracking system or notation identifying participants who accessed services but were not eligible applicants, including method of charge for services.

5. **Program Evaluation Form and Summary Format:** One-page evaluation of services presented to each program participant at the close of each phase of the program to gather data regarding program effectiveness and gaps in service. Summary report produced quarterly or biannually for the benefit of the service

and program providers to assess appropriateness and efficiency of services and programs provided.

**6. Cost Allocation Plan:** A description of the procedures and/or systems that are in place to ensure that only the cost of CDBG eligible microenterprise services will be charged to the grant.

***This is a Sample Format. Each Beneficiary Tracking Plan should follow this basic format but should supplement or refine as the program dictates.***

**BUSINESS ASSISTANCE PROGRAM  
[THREE-PARTY] EMPLOYMENT AGREEMENT**

This agreement, between the ("City/County of Sample ") and \_\_\_\_\_ ("**Employer**") will be used to assure continuing employment opportunities to economically disadvantaged and unemployed residents of the (City/County). Under this Non-Financial Employment Agreement, the **Employer** intends to (create/retain) jobs at least 51% of which will be held by Targeted Income Group (TIG) persons. *[The **Employer** will use the \_\_\_\_\_ ("**Agency**") as its initial resource for recruitment, referral and placement in positions covered herein.]* This Agreement is **not** a loan agreement but will be referenced by attachment in any loan agreement between (City/County) and the **Employer**.

Please Note: [] indicates optional third party. Agreement can be struck between business/developer and city/county only

**1. General Terms**

- a) The City/County seeks to provide *[Community Development Block Grant (CDBG) and/or Program Income RLA]* funded assistance for *[development and/or business creation/expansion.]* By virtue of this loan, the City/County expects to realize additional employment opportunities for lower income and unemployed persons.
- b) In consideration for any loan described above, the **Employer** agrees to enter into this Agreement *[and agrees to use the **Agency** as its initial resource for recruitment, referral and placement disbursement.]*
- c) The **Employer** agrees to hire or retain at least one permanent full-time employee (minimum of 1,750 work hours per year) per \$35,000 in CDBG loan funds by \_\_\_\_\_. The **Employer** also agrees that at least 51% of **all** jobs created will be filled by members of the targeted income group.
- d) It is the Employer's declaration that the business assistance described in Section A above will result in additional employment opportunities (of a non-managerial, not highly technical, and/or non-professional variety), as follows, *[and as shall be further described in a Job Order Form provided by the **Agency**]* (attach additional sheets as necessary, microenterprises are defined as employing five or fewer):

<u>Job Title</u>	<u>Number Of Positions</u>	<u>Anticipated Hiring Date</u>
------------------	----------------------------	--------------------------------

- e) *[The **Agency** will provide employment recruitment, referral, and placement services to the Employer subject to the limitations set out in this Agreement].*
- f) The **City/County's** employment and training responsibilities under this Agreement, unless otherwise assigned, will be carried out by **[Staff/Agency]**.
- g) This Agreement shall take effect when signed by the parties below; fulfillment of all specified requirements shall be by \_\_\_\_\_ [24<sup>th</sup> month of State grant term for business loans/36<sup>th</sup> to 60<sup>th</sup> month of State grant term for infrastructure].

## 2. Employment Recruitment

- a) The **Employer** agrees "covered positions" for the purposes of this Agreement shall include **all Employer's** job openings in the **City /County** created as a result of internal promotions, termination's, and expansion of Employer's work force, within the positions listed under Section I (d), with the exception of those classified as "non-covered", as defined in Section 2 (c) below.
- b) The **Employer** will submit timely notification *[to the **Agency**]* of its needs for new employees in the covered positions. Notification *[shall be by Job Order Form provided by the **Agency**, and]* shall include, but not necessarily be limited to:
  - i. Number of employees requested by job title.
  - ii. Job description, including minimum qualifications stated in quantifiable and objective terms.
  - iii. Work to be performed.
  - iv. Hiring dates.
  - v. Rates of pay.
  - vi. Hours of work.
  - vii. Anticipated duration of employment.
- c) The following types of positions created by the **Employer** during the term of this Agreement shall also be regarded as covered by this Agreement: non-managerial, non-professional, and those not highly technical.

The following types of positions are considered non-covered positions: those of a supervisory nature requiring two or more years of formal training; and those filled by internal promotion from the **Employer's** existing work force; and family members of the borrower/owner.

## 3. [Referral]

- a) *The **Agency** will refer job applicants eligible pursuant to Community Development Block Grant (CDBG) regulations to the **Employer** in response to the notification of need for new employees described in Section I (D).*
- b) *The **Agency** will maintain the documentation of applicant/employee household income required by the CDBG program, and provide such information to the **City/County**.*

- c) *The **Agency** will screen applicants according to the qualifications agreed upon with the **Employer**.*
- d) *The **Agency** will notify the **Employer** of the number of applicants it will refer and begin making referrals no later than five (5) working days prior to the anticipated hiring date. The **Agency** will make every reasonable effort to refer at least one qualified person(s) for each job opening.*
- e) *In the event that the **Agency** is unable to refer any or all of the qualified personnel requested, the **Employer** will be notified by the **Agency**. The **Employer** will then be free to directly fill remaining positions. In this event, the **Employer** is still bound by the CDBG National Objective and Public Benefit requirements. **Employer** will refer employee back to the **Agency** for the determination of targeted income group status.]*

#### 4. Placement

- a) All decisions on hiring new employees will be made by the **Employer**; *[the **Employer** agrees to provide priority consideration to prospective employees for covered positions from the qualified persons referred by the **Agency**. If the **Employer** does not find any of the persons so referred to qualify for the opening(s), the **Agency** will be notified.]*
- b) *[Staff/**Agency**] will monitor job retention and employment performance of employees placed under the Agreement. The **Employer** agrees to cooperate in these follow-up efforts, and to provide four times annually hiring summaries until Grant Closeout, in a form acceptable to the **City/County**. This may include, but not be limited to, copies of employee rosters and payroll and tax information submitted to the State of California.*
- c) *[After the **Employer** has selected employees from referrals by the **Agency**, the **Agency** will not be responsible for the employee's actions and the **Employer** hereby releases the **Agency** of liability.]*

#### 5. Training

- a) *[The **Agency** and the] **Employer** may agree to develop additional job training programs. [The training specifications and the cost for such training will be *[mutually agreed upon by the **Employer** and the **Agency** and]* covered under separate training agreement(s).*

#### b) Controlling Regulations & Laws .

- i) If this Agreement conflicts with any labor laws or other governmental regulations, those laws or regulations shall prevail.
- ii) If this Agreement conflicts with a collective bargaining agreement to which the **Employer** is a party, the bargaining agreement shall prevail.
- iii) The **Employer** shall not discriminate against any applicant for employment

due to race, religion, age, color, sex, national origin, physical handicap, sexual preference, or political affiliation.

7. Indemnification, Assignment Modification and Renewal

- a) *[The **Employer** and **City/County** shall defend and indemnify the **Agency** and its officers, agents and employees against and hold the same free and harmless from any and all claims, demands, damages, losses, costs, and/or expenses of liability due to or arising out of, either in whole or in part, whether directly or indirectly, the organization, development, construction, operation, or maintenance of the Project except for liability arising out of the concurrent or sole negligence of the **Agency**, its officers, agents or employees.]*
- b) This Agreement may, upon mutual agreement, be modified in order to improve the working relationship described herein.
- c) The **City/County** may terminate this Agreement at any time by written notification if its federal, state or local grants are suspended or terminated before or during the contract period.

8. Acceptance

The Undersigned hereby agree to terms and conditions listed herein.

**EMPLOYER**

**CITY/COUNTY**

By: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Title

By: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Title

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**[AGENCY**

By: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Title

Date: \_\_\_\_\_]

**DEVELOPMENT PROJECT \ INCUBATOR LEASE CONDITIONS  
FOR TIG HIRES<sup>1</sup>**

1. It is hereby understood and agreed by Tenant that Landlord has made no warranty or representation as to the present condition of, or suitability of the Premises for Tenant's intended use or uses.

2. Tenant understands that Landlord has entered into a financing agreement with the \_\_\_\_\_ and the State of California to construct the premises. A condition of that financing is the provision of employment for TIG residents. In order to attain these goals and the goals of the project in general, Tenant hereby agrees as follows:

- a. Tenant shall provide financial information including, but not limited to a balance sheet and profit/loss statement, prepared in accordance with generally accepted accounting principles, every six months during the term of this lease. The first such reporting shall be due not less than eight months following the commencement of the Lease Term. If Tenant is in default of its obligation to pay rent, Tenant shall make books, records and other financial information available to Landlord for review during business hours.
- b. Tenant shall provide, at the beginning of the Term, a statement of current employment and projected employment figures for the Term of this Lease. Thereafter, on a quarterly basis, Tenant shall provide to Landlord's designated agent a written report of its progress in meeting employment projections.
- c. Tenant will execute a First Source Hiring Agreement satisfactory to the \_\_\_\_\_. This agreement shall provide that Tenant will recruit and utilize employee referrals meeting the Targeted Income Group (TIG) standards. A copy of the First Source Hiring Agreement is attached as Addendum 2, and is a part of this Lease by reference.
- d. Tenant shall comply with all provisions hereof and ordinances and other laws against unlawful discrimination on account of race, creed, sex, age disability, or color. This Lease is subject to Title VI of the Civil Rights Act of 1964 (Public Law 88-352) and the rules and regulations issued pursuant thereto, and the Tenant shall comply with Executive Order No. 11246, entitled, "Equal Employment Opportunity", as supplement in Department of Labor Regulations(4 CFR, Part 60).
- e. Tenant shall use its best efforts to locate any future corporate offices and/or related office or manufacturing or warehouse facilities in the same structure or structures within the Premises. Upon graduation from the incubator facility, Tenant will, if adequate space is available, locate within the County limits of \_\_\_\_\_. Landlord, through its agent \_\_\_\_\_ City/County Development Corporation, will assist in new site location at no charge to Tenant.

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<sup>1</sup> Contact your CDBG Economic Development representative for using developer project / incubator lease conditions when meeting the national objective of slum and blight eradication.

- f. Tenant understands that this Lease, the demised premises and the additional services provided are designed to provide space for emerging businesses. Once the business has reach a stage where such services are no longer required, or growth dictates a need for more space, it is expected that the business will relocate to another facility within the County/City. Tenant and Landlord will review the progress of the business annually and mutually agree upon a "graduation" date from the Incubator.
- g. Tenant agrees that specific rules regarding outside area maintenance, employee parking, and traffic control may be promulgated by Landlord for the benefit of all Tenants. Tenant further agrees to abide by these rules.
- h. In the event Tenant changes the nature of the business, as from a sole proprietorship to a corporation, then the existing Lease shall be terminated upon a written notice from Tenant and a new lease made in the name of the new business entity. Such lease shall be executed based substantially on the terms and conditions contained herein.

**Note: Grantees are advised of their potential liability regarding job creation and benefit to the TIG. Grantees may want to develop specific remedies applicable to the tenant where there are instances of non-compliance or non-performance.**

# **PRELIMINARY INTAKE FORM FOR MICROENTERPRISE ASSISTANCE**

Date:

City/County:\_\_\_\_\_

Community Development Block Grant request for fiscal year

The information you provide regarding your family income will be part of your request for state subsidy funds which will assist the economic development of \_\_\_\_\_ (City/County) \_\_\_\_\_. The information will be kept confidential, but **will** require verification.

Please indicate by circling the number that represents the number of persons in your family as well as the approximate income. Please indicate whether your income is over or below the amounts noted below by the number of persons in your family. If your stay is seasonal and your permanent home is at a different place, use the number of family members who reside at the permanent residence.

FAMILY SIZE	COUNTY*	INCOME	ABOVE	UNDER
1	\$ _____	\$ _____	_____	
2	\$ _____	\$ _____	_____	
3	\$ _____	\$ _____	_____	
4	\$ _____	\$ _____	_____	
5	\$ _____	\$ _____	_____	
6	\$ _____	\$ _____	_____	
7	\$ _____	\$ _____	_____	
8	\$ _____	\$ _____	_____	

\*figure reflects 80% of Countywide median income per family household size

**Please complete and initial information for each of the following categories:**

How many hours do you work each month?

Gender of head of household: \_\_\_\_\_ Male \_\_\_\_\_ Female \_\_\_\_\_ Over 62 years of age

Nationality and age of head of household: (initial **all** that apply)

**RACE:**\_\_\_\_\_ White \_\_\_\_\_ Black Asian\_\_\_\_\_ Alaska Native \_\_\_\_\_ Pacific Islander  
\_\_\_\_\_ American Indian\_\_\_\_\_ and **ETHNICITY:** Hispanic yes\_\_\_\_\_ no\_\_\_\_\_

## Income Certification and Authorization of Verification

I certify that this income information is correct and I understand that the information I have provided on my family income **is subject to verification** by authorized representatives of the City/County of \_\_\_\_\_, and the State of California Department of Housing and Community Development. My signature authorizes verification and verification will occur **prior to assistance**.

Signature:\_\_\_\_\_

Date:

Name:\_\_\_\_\_  
Printed Name

Home Address:



## SELF-CERTIFICATION FORM FOR FAMILY INCOME

Date: \_\_\_\_\_

City/County: \_\_\_\_\_

Community Development Block Grant request for fiscal year

The information you provide regarding your family income will be part of your request for state subsidy funds which will assist the economic development of \_\_\_\_\_ (City/County) \_\_\_\_\_. The information will be confidential, but may require verification.

Please indicate by circling the number that represents the number of persons in your family and write in your family household income. Please indicate whether your income is above or below the County\* threshold amount noted below for your family size by initialing either the "over" or "under" column next to the household income amount you have provided here.. If your stay is seasonal and your permanent home is at a different place, use the number of family members who reside at the permanent residence.

FAMILY SIZE	COUNTY*	INCOME	ABOVE	UNDER
1	\$ _____	\$ _____	_____	
2	\$ _____	\$ _____	_____	
3	\$ _____	\$ _____	_____	
4	\$ _____	\$ _____	_____	
5	\$ _____	\$ _____	_____	
6	\$ _____	\$ _____	_____	
7	\$ _____	\$ _____	_____	
8	\$ _____	\$ _____	_____	

\*figure reflects 80% of Countywide median income per family household size

**Please complete and initial information for each of the following categories:**

How many hours do you work each month?

Gender of head of household:    \_\_\_ Male    \_\_\_ Female    \_\_\_ Over 62 years of age

Nationality and age of head of household:    (initial **all** that apply)

**RACE:** \_\_\_ White    \_\_\_ Black    Asian \_\_\_ Alaska Native    \_\_\_ Pacific Islander  
\_\_\_ American Indian \_\_\_ and **ETHNICITY:** Hispanic    yes \_\_\_ no \_\_\_

### Income Verification

I certify that this income information is correct and I understand that the information I have provided on my family income may be subject to verification by authorized representatives of the City/County of \_\_\_\_\_, and the State of Californian Department of Housing and Community Development.

Signature \_\_\_\_\_

Date:

Name: \_\_\_\_\_  
Printed Name

Home Address:

## Self-Certification Form Instructions

*At the application stage, a Self-Certification Form should be completed by every employee in all cases of job retention to document the jobs being retained, and document the TIG benefit for those applications applying under the national objective of benefit to the targeted income group.*

*For job creation applications, a Self-Certification is the basis for determining verifiable income documentation.*

The jurisdiction or the business should complete the date, jurisdiction and grant information at the top of the certification form, including the current HUD income limits by family size for their County.

The employee should complete the remainder of the form and then sign and complete the signature block of the form. The employee is to circle the family size, supply the household income amount and indicate by initialing whether the family income is above or under the HUD indicated figure. The employee should also complete the remainder of the form by initialing gender, age and nationality (race and ethnicity) categories. According to HUD reporting requirements and census categories, the employee may check any box that applies. Please be sure to advise them accordingly as they are completing the form.

The Self-Certification Form should be translated into Spanish, if the employees do not read English.

## HOUSING AND URBAN DEVELOPMENT FAMILY INCOME GUIDELINES

Household income is defined as family income: all sources of income for one or more persons living in a single residence who are related by blood or marriage.

### 1. Inclusions in Family Income

- a. Gross Wages and Salary: The total money earnings received from work performed as an employee. It represents the amount paid before deductions for income taxes, Social Security, bond purchases, Union dues, etc.
- b. Net Self-Employment Income: Net income (gross receipts minus operating expenses) from a business firm, farm, or other enterprises in which a person is engaged on his/her own account.
- c. Net rent income or, less frequently, rent receipts.
- d. Pensions or other retirement benefits.
- e. Alimony.
- f. Periodic insurance payments; frequently referred to as regular income from insurance policies, annuities.
- g. Government and/or military retirement, (other than compensation for disability or death per Title 38, United State Code, Chapter II).
- h. Contest or lottery income.
- i. Periodic gifts, including payment or rent and living expenses from persons outside the residence.
- j. Interest including interest paid on inheritance and trust accounts, and dividends.
- k. Public Assistance payments.
- l. Federal, State, or local unemployment insurance benefits.
- m. Cash payments received pursuant to a State Plan approved under Title I Old Age Assistance, IV Aid to Families with Dependent Children (AFDC), X Aid to the Blind, or XVI Supplemental Security Income for the Aged, Blind and Disabled of the Social Security Act, or disability insurance payments received under Title II, Section 423 of the Social Security Act, or disability insurance payments received under Title II, Section 423 of the Social Security Act of payments received under the Black Lung Benefits Reform Act of 1977 (Public Law 95-239).
- n. Social Security, old age and survivors insurance cash payments. (Social Security Act, Title II, Section 402).

- o. Child support payments including payments made by State or local government on behalf of foster children in the home.
- p. Educational assistance and compensation payments to veterans and other eligible persons under Title 38, United States Code, Chapters 11, Compensation for Service-Connected Disability or Death; 13, Dependence and Indemnity Compensation for Service-Connected Death; 31 Vocational Rehabilitation; 34, Veterans' Education Assistance; 35, War Orphans' and Widows' Educational Benefits. In some cases, this item is simply referred to as "veterans' payments."
- q. Payments or allowances received by veterans while serving on active duty in the Armed Forces. In some cases, this item includes National Guard or military, naval or air force reserve activities.
- r. Payments made to participants in employment and training programs except wages paid for OJT, or Upgrading and Retraining. Exclude all compensation received under II-B.
- s. Capital gains and losses.
- t. Soil bank payments.
- u. Agriculture Stabilization Payments.
- v. Other income, except as indicated below.

2. Exclusions from Annual Family Income - Optional

- a. Non-cash income, such as food stamps, or compensation received in the form of food or housing.
- b. Imputed value of owner-occupied property or rental value of owner occupied property.
- c. Trade Act or Trade Readjustment payments.
- d. One-time unearned income, such as, but not limited to:
  - (1) Accident, health, and casualty insurance proceeds.
  - (2) One-time or fixed-term scholarship and fellowship grants.
  - (3) Payments received for a limited fixed term under income maintenance programs and supplemental (private) unemployment benefits plans.
  - (4) Lump sum inheritances including fixed-term annuities.

- (5) One-time awards and gifts. Does not include contest or lottery income.
- (6) Disability and death payments, including fixed-term (but not life time) life insurance annuities and death benefits.
- (7) Fixed-term Worker's Compensation awards.
- (8) Terminal Leave pay.

### Verification of Annual Family Income

- a. Family income should be supported with documentation from the income source. A representative sample of all job classifications should be income verified. Income verification should be obtained prior to job placement. Determining the job holders income level will ensure that TIG benefit is measured and 51% TIG benefit is achieved.
- b. Maintenance of income verification records must be accessible for CDBG program review. Organize income verification records by each loan or funded activity.

## DOCUMENT CHECKLIST FOR DRAWDOWN APPROVAL

City/County of _____	Date _____	
Contact _____		Grant #/PI RLA _____
Address _____		Telephone # _____
_____		Fax # _____
Business _____		Program Income Balance-ED RLA _____
Contact _____		-----
Address _____		
_____		

Loan Amount \$

For a loan of \$50,000 or more under this Program all of the following must be received by the Department for review and approval before its initial cash request report can be submitted.

1. Loan analysis and recommendation submitted to loan committee addressing the following:
  - a. project description and proposed sources and uses,
  - b. use of CDBG funds and documented funding gap,
  - c. consistency with approved local program guidelines including overlay and underwriting requirements,
  - d. loan terms,
  - e. number of FTE jobs being created \_\_\_\_ or retained\_\_\_\_,
  - f. number of TIG jobs\_\_\_\_,
  - g. special funding conditions
2. Documentation of local approval or commitment letter from jurisdiction to Borrower, including:
  - a. Name of business and borrower's name
  - b. Location and address of business
  - c. CDBG loan amount, rate, terms and conditions
  - d. Full Time Equivalent (FTE) and TIG commitment
3. Executed Employment Agreement
4. Documentation of complete and final environmental review by the grantee
5. NEPA noticing/State objection period expires: \_\_\_\_\_  
on loans requiring noticing/RROF and Certification

Date Received	Date Approved
Notes: _____ _____ _____ _____ _____ _____ _____	
_____ _____ _____ _____	
_____ _____ _____ _____	
_____ _____ _____ _____	
_____ _____ _____ _____	

Comments:

Reviewed/Approved \_\_\_\_\_ Date \_\_\_\_\_ Cash Request Processed on \_\_\_\_\_

**SAMPLE**

**IMPACT FEE AGREEMENT UNDER CBDG  
GRANT (NO. XX-EDBG-XXX)  
(To Be Paid By Owner)**

This Agreement is made between the City/County of \_\_\_\_\_ a California general law city/county ("City"/"County") and \_\_\_\_\_ (collectively, "Owner").

**RECITALS**

A. City/County is the recipient of Community Development Block Grant No. XX-EDBG-XXX (the "Grant") which includes a grant of \$ \_\_\_\_\_ to cover the design and construction costs of \_\_\_\_\_ improvements along \_\_\_\_ [LOCATION] \_\_\_\_\_ and the City prior to permitting development of \_\_\_\_\_ parcels of adjacent property. The work will include \_\_\_\_ [SCOPE OF PRIVATE WORK] \_\_\_\_\_ and installation of City/County public improvements including, \_ \_\_\_\_ [LISTED PUBLIC IMPROVMENTS] \_\_\_\_\_. The Public Improvements are expected to be completed by \_[MONTH/YEAR]\_\_\_\_\_.

B. Owner is the owner of \_\_\_\_\_ parcels of property which will benefit from the Public Improvements to be funded by the Grant and which would be unable to obtain entitlements to develop without such Public Improvements. Owner's parcel consists of approximately \_\_\_\_\_ acres and is identified as \_\_\_\_\_ Assessor's Parcel No. XX-YYY-00Z (the "Property").

C. The terms and conditions of the Grant require that City/County and Owner enter into an agreement fixing the impact fee of the Grant to be paid by Owner and conforming to State community development block grant requirements for job creation for persons with family income less than or equivalent to eighty percent (80%) of the median income for \_\_\_\_\_ County (the "Targeted Income Group") as shown in Title 25, California Code of Regulations section 6932.

D. In recognition of the benefits Owner's property will receive from the Public Improvements to be funded by the Grant and as required by the terms and conditions of the Grant, the parties hereto wish to fix and determine the job creation and reporting requirements of Owner and the amount determined by the impact fee methodology under this Grant to be allocated to the Owner and to be reimbursed by Owner to City/County in accord with the terms of this Agreement.

## LOAN AGREEMENT

1. Impact Fee Allocation. In consideration of the benefits Owner's property will receive from the Public Improvements to be funded by the Grant, including enhancement of development potential and improved access and egress to and from the Property, Owner agrees that the share of the Grant properly allocated to Owner based on \_ [acreage/usage/etc]\_\_ benefiting from the Public Improvements is the sum of \_\_\_\_\_(\$\_\_\_\_\_) (hereinafter, "Owner's Impact Fee").

2. Payment. The Owner shall pay Owner's Impact Fee to City in [*lump sum/\_\_\_\_\_ installments over a \_\_\_\_-year period*]. [*Ex: The first installment shall be due and payable on a date one year from the date of issuance of a building permit authorizing construction to commence on the property and shall be in an amount equal to twenty percent (20%) of Owner's Impact Fee Allocation. Thereafter, the balance of the impact fee allocation shall be paid in four installments each due and payable on the anniversary date of the issuance of the building permit and in an amount equal to twenty percent (20%) of Owner's Impact Fee Allocation, plus interest on the total outstanding balance of Owner's Impact Fee Allocation, which shall accrue at a rate of five percent (5%) per annum. Interest shall begin to accrue on the balance of Owner's Impact Fee Allocation on the date that the first installment is due and payable.*]

3. Performance Security. Prior to issuance of a building permit, Owner shall furnish one of the following as security for performance of Owner's obligations under this Agreement:

a. A surety bond in the amount of \_\_\_\_\_(\$\_\_\_\_\_) which is equal to one hundred percent (100%) of the Owner's Impact Fee Allocation, as security for the faithful performance of all the provisions of this Agreement. This bond shall remain in effect until such time as the last installment of the Owner's Impact Fee Allocation is paid to City/County.

b. Irrevocable letters of credit, cash deposits, savings account(s) or certificates) payable to City/County in form satisfactory to City/County and equivalent to said surety bonds. All legal expenses incurred by City/County in reviewing and approving said bond equivalents shall be paid by Owner. Such bond equivalents shall remain in effect until such time as the last installment of the Owner's Impact Fee Allocation is paid to City/County.

4. Job Creation. In further consideration of the benefits Owner's property will received from the Public Improvements to be funded by the Grant, and to the extent that the Property is developed and business is operating on the Property, Owner agrees to comply with the State of California Community Development Block Grant ("CDBG") national objective and public benefit requirements for job creation by [creating/retaining\_\_\_\_full time equivalent jobs fifty-one percent (51%) of which will be filled by targeted income group individuals, at a cost not to exceed \$35,000 per job by expiration of the grant agreement] or [creating/retaining\_\_\_\_full time equivalent jobs within the location designated for blight eradication under this grant, at a cost not to exceed \$35,000 per job by expiration of the grant agreement]. For TIG benefit, Owner agrees to comply with the State's requirements that 100% of the jobholders be screened for income eligibility and maintain records documenting income eligibility for review by the City, State or U.S. Department of Housing and Urban Development. The owner will enter into an income-screening

[and a local job training agency referral source] contract to accomplish these tasks.

5. Overcapacity. Should the Public Improvements have been designed to provide service above and beyond the needs of the immediate benefiting businesses, the Owner must comply with its job reporting obligations under the Grant by continuing to report to the City/County on national objective and public benefit performance under this grant, until the cost per job does not exceed \$10,000 per job in the aggregate for a period of one year following completion of the Public Improvements,

6. Default, Remedies. In the event that Owner fails to make an installment payment when due, or fails to comply with the job reporting requirements specified in Section 3 above, City/County shall provide Owner written notice of such default. Owner shall have fifteen days to cure such default. If Owner fails to cure such default, City/County may, in its sole discretion, declare the entire balance of Owner's Impact Fee Allocation, plus applicable interest, due and payable and pursue any and all available legal remedies to recover such amount and enforce the job reporting requirements of Section 3 above.

7. Covenants Run With The Land. All of the terms, provisions, and obligations contained in this Agreement shall be binding upon the parties and their respective heirs, successors and assignees, and all other persons or entities acquiring all or any portion of the Property, or any interest therein, whether by operation of law or in any manner whatsoever. All of the provisions of this Agreement shall constitute covenants running with Owner's Property pursuant to applicable law, including but not limited to, Section 1468 of the Civil Code. Owner agrees that the covenant to pay the Owner's Impact Fee Allocation of the cost of the off-site Public Improvements is for the benefit of the Property and is a burden upon such Property, runs with the Property, and is binding upon each successive owner during ownership of such Property, or any portion thereof, and each party having any interest in the Property derived in any manner until such time as this Agreement terminates as provided in Section 6 of this Agreement.

8. Termination of Agreement. This Agreement shall terminate upon receipt by the City/County of Owner's final installment of Owner's Impact Fee Allocation of the cost of the Public Improvements, plus applicable interest. Upon receipt of such payment, City/County shall record with the Office of the \_\_\_\_\_ County Recorder a document indicating that the Owner has fulfilled its obligations under this Agreement.

9. Entire Agreement, Amendment. This Agreement, contains the entire Agreement of the parties and supersedes all prior negotiations, correspondence, understandings and agreements by or between the parties regarding the subject matter hereof. This Agreement may not be amended except upon the mutual written consent of both parties.

10. Waiver. Any waiver any time by any party of its rights with respect to default or any other matter arising in connection with this Agreement shall not be deemed to be a waiver with respect to any other default or matter.

11. Governing Law. This Agreement shall be governed by the laws of the State of California and the rights and obligations of the parties hereto shall be construed and enforced in accordance with the laws of the State of California.

12. Attorneys' Fees. In the event of any legal or equitable proceedings for enforcement of any of the terms of this Agreement, or any alleged dispute, breach of, default or misrepresentations in connection with any provision of the Agreement, the prevailing party in such action, or the nondismissing party where the dismissal occurs other than by a reason of a settlement, shall be entitled to recover its reasonable costs and expenses including without limitation, reasonable attorneys' fees and costs paid or incurred in good faith.

13. Notice. Any notice relating to this Agreement shall be given in writing and shall be deemed sufficiently given and served for all purposes when delivered personally or by generally recognized overnight courier service, or four (4) business days after deposit in the United States mail, certified or registered, return receipt requested with postage prepaid addressed as follows:

To City/County:

City/County of \_\_\_\_\_  
[STREET]  
[CITY], California, [ZIP]  
Attention:

To Owner:

Mr. \_\_\_\_\_  
Ms. \_\_\_\_\_  
[STREET]  
[CITY}, California [ZIP]

13. Effective Date. This Agreement shall become effective upon the date the City/County is authorized to draw upon the Grant to fund the construction of the Public Improvements and shall remain in full force and effect until terminated.

IN WITNESS WHEREOF, the parties have executed this Agreement with the intent to be bound thereby as of the effective date set forth above.

("City/County")  
City of \_\_\_\_\_

By: \_\_\_\_\_  
[MAYOR/SUPERVISOR]

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
[NOTARY]

By: \_\_\_\_\_  
[LEGAL COUNSEL]

("Owner")  
\_\_\_\_\_

## LOAN AGREEMENT - SUGGESTED OUTLINE

### I. Parties

#### A. Private Lender(s)

Name  
Address  
Phone Number

#### B. City or County

Address  
Phone Number

#### C. Borrower

Address  
Phone Number

### II. Loan Description

- Amount of the loan.
- Terms (length of loan, interest rate, equity position, total and targeted income group job goals, etc.).
- Collateral (including position and prior lien holders).
- Payment amount and schedule.
- Repayment policy.
- MUST INCLUDE SPECIFIC LANGUAGE THAT MAKES THE LOAN DUE AND PAYABLE UPON SALE OR REFINANCE OR CHANGE IN MAJORITY OWNERSHIP.
- **FAILURE TO MEET PUBLIC BENEFIT REQUIREMENT (1 Full time equivalent (FTE) job for every \$35,000 in CDBG assistance) WILL REQUIRE REPAYMENT OF CDBG ASSISTANCE.**
- **FAILURE TO MEET A NATIONAL OBJECTIVE (Benefit to the Targeted Income Group (TIG) or Elimination of Slum and Blight) WILL REQUIRE REPAYMENT OF CDBG ASSISTANCE.**

### III. Conditions

#### A. Statement of Loan Purpose:

- Use of Proceeds.
- Role of parties.
- Restrictions on fund users.
- Property information.
- Must include a non-monetary default clause that makes the loan due and payable if there is unsatisfactory job creation.

#### B. Other Loans/Sources of Funds:

- Name, address, phone.
- Loan amount.

- Terms and conditions.
- Collateral.
- Use of proceeds

#### C. Special Terms and Conditions:

- Equal opportunity policy
- Construction/contractor requirements (e.g., final plans and specification, insurance, Federal prevailing wages (Davis-Bacon wages) bonding, etc.
- Inspection, monitoring and reporting requirements.

#### D. Other Conditions:

- Borrower must execute the note and loan agreement.
- Borrower must execute and file all security agreements.
- Principals must provide personal guarantees, if required.
- Borrower must provide title insurance, if required.
- Borrower must obtain all necessary governmental and other approvals.

### IV. Representations and Warranties

The borrower must make several claims regarding its legal authority to borrow and conditions existing at the time of the loan. This includes:

- The corporation or partnership is a duly organized entity.
- The borrower is authorized to borrow money (Corporate Resolution to Borrow, etc.).
- The borrower is not presently involved in any legal suits of material nature.
- The borrower is not in default on any other obligations at the time of loan closing.
- The borrower has filed tax returns and paid taxes accordingly as required.
- The borrower has not suffered any adverse change in its operation since applying for the loan.

### V. Covenants

The business or developer must pledge to do and to prevent certain things.

#### A. Affirmative Covenants:

- Pay CDBG loan punctually.
- Pay other loans punctually.
- Maintain, insure, and pay all taxes on the property used as collateral. Insurance will include hazard, liability, workman's compensation, and flood insurance (if appropriate).
- Provide additional equity if there are cost overruns.
- Maintain, insure, and pay all taxes on the property used as collateral. Insurance will include hazard, liability, workman's compensation, and flood insurance (if appropriate).
- Maintain its legal existence.
- Notify jurisdiction of any default.
- Maintain all collateral property or equipment in good condition.

- Provide equity and other borrowed funds into project equal to that stated in CDBG grant application.

B. Negative Covenants:

- Will not encumber or sell or move to a different site any assets used as collateral.
- Will not change ownership composition.

## VI. Events of Default

The loan agreement will list the conditions (events) which will constitute a default in the agreement. Events of default typically include the following:

- Non-payment of CDBG or other loans in the project.
- Failure to meet the national objective, job creation/retention through TIG benefit or blight eradication
- Failure to document employment, full-time status and/or income status with self-certifications and payrolls
- Incorrect representation.
- Default in any covenant.
- Judgments in excess of liability insurance.

## VII. Miscellaneous

The miscellaneous provisions provide for:

- Making amendments to the agreement.
- Waiving rights and notices.
- Assigning the note and security interests.

## VIII. Assurances

By signing the loan agreement, the parties accept the terms and conditions under which this loan is being made.

## LOAN FILES CHECKLIST

Two separate loan files must be maintained. There should be an original documents file, a legal file, which holds all of the original loan documentation, and a credit file which has the day-to-day administrative records of the loan. The legal file should be secured in a fireproof safe. Chapter 7 of this Grants Management Manual has the Checklists for documents to be kept in these files along with all files to be kept for Recordkeeping. The Checklists have been reproduced here for ease in establishing these files:

### LOAN CLOSING FILE

- \_\_\_ Articles of Incorporation and Bylaws or \_\_\_ Partnership Agreement
- \_\_\_ Corporate Resolution to Borrower or \_\_\_ Partnership Agreement and  
and Certificate of Secretary Authorization to Borrow
- \_\_\_ Borrower's Opinion of Counsel (legal business with no pending lawsuits)
- \_\_\_ current business license
- \_\_\_ bank commitment letter
- \_\_\_ loan servicing agreement
- \_\_\_ loan agreement
- \_\_\_ subordination agreement if needed
- \_\_\_ promissory note
- \_\_\_ Security Agreement for personal property (M&E, INV and A/R) perfected with secretary of  
state or county court
- \_\_\_ UCCs and lien search (to be filed with county recorder)
- \_\_\_ mortgage and Deed of Trust (to be filed with county recorder)
- \_\_\_ Title Report(s)
- \_\_\_ appraisal
- \_\_\_ personal guarantee
- \_\_\_ corporate guarantees (common ownership, showing management or control)
- \_\_\_ hazard insurance (lender as loss payee)
- \_\_\_ life insurance (lender as loss payee)
- \_\_\_ title insurance (lender as loss payee)
- \_\_\_ certificate of good standing
- \_\_\_ evidence of equity commitment
- \_\_\_ Employment Agreement
- \_\_\_ inter-creditor agreement (states lien positions for each lender. Commits each lender to  
notify others in event of problems)
- \_\_\_ NEPA/CEQA environmental clearance documentation and HCD clearance letter

## LOAN TRACKING FILE

- \_\_\_ Sources and Uses of Funds Form
- \_\_\_ Task and Budget Milestones
- \_\_\_ Amendments (if any) by loan

### Disbursement by loan

- \_\_\_ Equity Deposit/verification
- \_\_\_ Leverage Tracking Schedule (pro rata) including impact fee payments
- \_\_\_ Retention policy/construction projects
- \_\_\_ **Department Approved** Drawdown Checklist
- \_\_\_ Record of CDBG funds received
- \_\_\_ Record of CDBG funds disbursed

### Servicing/Monitoring by loan

- \_\_\_ Billing Invoices by coupon book/monthly statement
- \_\_\_ Copies of two-party checks
- \_\_\_ Billing/payment status
- \_\_\_ Record of payment history
- \_\_\_ Covenant review (jobs to date)
- \_\_\_ Restructuring

### Tickler System/due dates by loan

- \_\_\_ Billing invoices
- \_\_\_ Insurance premiums
- \_\_\_ Property tax
- \_\_\_ Updated personal and business financial statements
- \_\_\_ UCC renewal dates
- \_\_\_ Impact fee/Lease repayment schedule
- \_\_\_ Quarterly Employment Report from business

## **LOAN FILE DOCUMENTS (DESCRIPTION)**

### **1. Note**

The note is usually a one-page document, the instrument which obligates the borrower to the debt. It details the amount of the loan, the rate of interest and the repayment terms as well as the remedies of the lender with respect to the collateral and guarantees securing the loan in the event of default.

### **2. Loan Agreement**

The loan agreement is created to supplement the note. It details the specific conditions of the lending such as the disbursements, payment obligations, covenants outlining financial disclosure requirements, a description of the collateral and guarantees securing the loan, other special conditions of the loan, such as any regulatory obligations "e.g., meeting Davis-Bacon Wage Guidelines", and also describes the remedies you, as the lender, have with respect to defaults in payments and violations of any of the loan covenants.

### **3. Deed of Trust**

If a loan is secured by real property, a Deed of Trust mortgage instrument detailing the specifics of the property must be prepared and recorded in the county in which the property is located. This prevents the resale of the property without your notification. If the Deed of Trust is not properly prepared and recorded your lien may become invalid, thereby losing the collateral which secures your loan.

### **4. General Security Agreement and UCC Filings**

A General Security Agreement and UCC filing is made on all other collateral securing the loan in order to protect the lender against the collateral by another party. The General Security Agreement obligates the borrower to the lender. The UCC filing provides notice to all creditors that the borrower has an obligation to you secured by collateral on which you have first claim. You must complete the UCC filing in your locality, county and state simultaneously in order for the filing to be effective.

### **5. Personal Guarantees**

The endorser of a personal guarantee becomes personally liable for the obligation. Remember that often the legal borrower is usually a corporation, not the principals of the company, and unless you obtain a personal guarantee you have no recourse against the principals.

### **6. Corporate Guarantees**

Corporate guarantees are obtained when you require the endorsement of another corporation as a condition of the loan. Guarantees should be accompanied by Certificate of Secretary (see No. 11) from the corporate guarantor.

## 7. Subordination Agreement

The Subordination Agreement is required when, as a condition of your loan, you demand that the repayment of a previously existing debt be subordinate to the payment of your loan. If you do not want any payment, principal and interest, to be paid on this loan, you must specify it in the agreement otherwise you might find a deferral of principal but not of interest payment.

## 8. Life Insurance Policy and Assignment

If you require a life insurance policy on any of the principals of the company as collateral on your loan, it must be accompanied by an assignment. An assignment is an agreement between you and the borrower which specifies the type of life insurance coverage required to secure the loan and names you as beneficiary. The assignment form is usually provided by the insurance company issuing the policy and who must record the assignment. Once a policy is assigned the insurance company will send you notices of lapses in premium payments.

## 9. Hazard Insurance Policy and Assignment

The same procedure for life insurance policy is followed on all fire, theft and flood insurance policies which covers the collateral securing your loan.

## 10. General Resolution

A general Resolution describes who is empowered to borrow on behalf of the corporation.

## 11. Certificate of Secretary

A Certificate of Secretary affirms that the corporation has agreed to the loan.

## 12. Opinion of Counsel

The Opinion of Counsel verifies that the company is a legal entity empowered to borrow, and that there are no legal actions or suits pending against the company.

## 13. Intercreditor Agreement

An Intercreditor Agreement is obtained when there are two or more lenders with claims against the same collateral as in the case of a senior and second mortgage lender. This agreement details the obligations of the two to each other with respect to attempts to liquidate the asset securing the loan without the other's consent.

In any loan closing you should have your own legal counsel representing your interest as lender and being well versed in the legal lending requirements in your state. Once the loan is closed it is your responsibility to protect the original closing documents from any destruction or mutilation which could jeopardize your ability to liquidate your collateral or move against a guarantee should it become necessary. It is improper to store the original documents in the credit file which is used in the everyday administration of the loan.

The credit file should be organized in a chronological manner with separate tabs for financial reports and correspondence, credit checks, personal financial reports and other recordkeeping functions.

14. Credit Memorandum

Description and analysis of proposed project that incorporates the CDBG program's underwriting guidelines.

15. Executed Employment Agreement

Agreement executed between the business doing the hiring and the grantee for borrower, between the tenant business doing the hiring, grantee and developer where developer is borrower.

## MANAGEMENT INFORMATION SYSTEM (MIS)

Good credit administration demands that you develop a good reporting system that gives you information on the payment status of your loans and monitors the quality of your portfolio.

A good reporting system can help you set achievable goals for the growth of your portfolio, the quality of your loans, and it can help you improve the collection of your delinquencies and help you manage workloads. The reporting system becomes an effective management tool if, at a minimum, it provides you with the information provided in the sample reports which follow. These reports should be produced on a periodic basis, reviewed and compared to the previous month's activity. They provide a basic format and should be modified to suit your loan program's particular needs.

- Fund Balance Report: Provides a monthly summary of beginning fund balance, the principal and interest recaptured during the month, disbursements made during the month, funds committed but not yet disbursed, to net out to the available fund balance at month end.
- Portfolio Summary Report: Provides a summary of the total loans in process, loans authorized/committed to but not disbursed, the current loans outstanding and the loan losses.
- Current Portfolio Summary: Provides a listing of all outstanding loans, the latest loan balance, last payment date, identifies if a loan is current or delinquent, the date the annual review is due, the loan classification and the loan officer responsible for the loan. It also provides totals for number of loans outstanding, amount originally booked and the outstanding balance.
- Funds Not Yet Disbursed/Fund Commitments: Provides a listing of all loans which have been approved but not disbursed as of the date of the report.
- In Process Deals: Provides a listing of the proposals which are in house and in the developmental stage.
- Loss Portfolio Report: Provides a list of all loans which have been classified as uncollectible.
- Delinquent Loan Summary: Highlights all loans in the current summary which are delinquent in order to focus management attention on the problem.
- Classified Loan Summary: Sorts the current portfolio summary by classified loan status to provide a picture of the quality of the portfolio.
- Loan Officer Summary: Sorts the current portfolio, the funds authorized but not yet disbursed, and the in-process deals by loan officers. This allows management to monitor work flows and performance more effectively.
- Loan History: An individual history of each loan is maintained, detailing the original amortization schedule and the current activity on the loan, including latest loan payment, the portion of the payment that went to interest and principal and the remaining outstanding principal balance as of the close of the report.

- Tickler File: Provides a listing of loans in the current portfolio and the deadlines for such information as due dates of receipt of financial statements, review date, insurance premium payments which borrower must make to ensure your collateral coverage. This file can be sorted by month to highlight those times in chronological order.

Copyright: The National Development Council

## **GUIDELINES AND OBJECTIVES FOR EVALUATING A CDBG ECONOMIC DEVELOPMENT PROJECT**

HUD requires that the state or local government conduct basic financial underwriting prior to the provision of CDBG financial assistance to a business. HUD has developed guidelines that are designed to provide grantees with a framework for financially underwriting and selecting CDBG-assisted economic development projects, which are financially viable and will make the most effective use of the CDBG funds. The State CDBG program requires that these HUD underwriting guidelines be incorporated into the Program Guidelines approved under Special Conditions on grants involving credit lending and into the Program Guidelines approved under the Reuse Plan for Program Income Economic Development Revolving Loan Accounts. These guidelines must always be used to determine whether a proposed CDBG subsidy is **appropriate** to assist a business expansion or retention project. In addition, the project must be reviewed to determine that a minimum level of **public benefit** will be obtained from the expenditure of the CDBG funds in support of the project funded as part of a business assistance loan portfolio.

HUD's underwriting guidelines recognize that different levels of review are appropriate to take into account differences in the size and scope of a proposed project, and in the case of a microenterprise or other small business to take into account the differences in the capacity and level of sophistication among businesses of differing sizes.

The objectives of the underwriting guidelines are to ensure:

- (1) that project costs are reasonable;
- (2) that all sources of project financing are committed;
- (3) that to the extent practicable, CDBG funds are not substituted for non- Federal financial support;
- (4) that the project is financially feasible;
- (5) that to the extent practicable, the return on the owner's equity investment will not be unreasonably high; and
- (6) that to the extent practicable, CDBG funds are disbursed on a pro rata basis with other finances provided to the project;
- (7) that the projected level of public benefit is reasonable.

**Project Costs are Reasonable.** Reviewing costs for reasonableness is important. It will help avoid providing either too much or too little CDBG assistance for the proposed project. Therefore, it is suggested that the grantee obtain a breakdown of all project costs and that each cost element making up the project be reviewed for reasonableness. The amount of time and resources expended evaluating the reasonableness of a cost element should be commensurate with its cost.

For example, it would be appropriate for an experienced reviewer looking at a cost element of less than \$10,000 to judge the reasonableness of that cost based upon his

or her knowledge and common sense. For a cost element in excess of \$10,000, it would be more appropriate for the reviewer to compare the cost element with a third-party, fair-market price quotation for that cost element. Third-party price quotations may also be used by a reviewer to help determine the reasonableness of cost elements below \$10,000 when the reviewer evaluates projects infrequently or if the reviewer is less experienced in cost estimations. If a reviewer does not use third-party price quotations to verify cost elements, then the reviewer would need to conduct a cost analysis using appropriate cost estimating manuals or services.

Particular attention should be paid to any cost element of the project that will be carried out through a non-arms-length transaction. A non-arms-length transaction can occur when the business entity receiving the CDBG assistance procures goods or services or acquires property from itself or from another party with whom there is a financial interest or family relationship. If abused, non-arms-length transactions misrepresent the true cost of the project.

**Commitment of All Sources of Project Financing.** A review of all proposed sources of funding for a project should be conducted to evaluate whether the project is financially feasible given the availability and commitment of other proposed funding sources. This review is necessary to ensure that time and effort is not wasted on assessing a proposal that is not able to proceed.

To the extent practicable, prior to the commitment of CDBG funds to the project, the project review should verify that: sufficient sources of funds have been identified to finance the project; all participating parties providing those funds have affirmed their intention to make the funds available; and the participating parties have the financial capacity to provide the funds.

**Avoid Substitution of CDBG Funds for Non-federal Financial Support.** The proposed CDBG economic development project should be reviewed to ensure that, to the extent practicable, CDBG funds will not be used to substantially reduce the amount of non-Federal financial support for the activity. This will help the grantee to make the most efficient use of its CDBG funds for economic development.

To reach this determination, the reviewer should conduct a financial underwriting analysis of the project, including reviews of appropriate projections of revenues, expenses, debt service and returns on equity investments in the project. The extent of this review should be appropriate for the size and complexity of the project and should use industry standards for similar projects, taking into account the unique factors of the project such as risk and location.

Because of the high cost of underwriting and processing loans, many private financial lenders may not finance commercial projects that are less than \$100,000. A reviewer should familiarize themselves with the lending practices of the financial institutions in the community. If the project's total cost is one that would normally fall within the range within which financial institutions participate, then the project review should determine the following:

- A. Private debt financing--whether or not the participating business (or other entity having an equity interest) has applied for private debt financing from a commercial lending institution and whether that institution has completed all of its financial underwriting and loan approval actions resulting in either a firm commitment of its funds or a decision not to participate in the project; and
- B. Equity participation--whether or not the degree of equity participation is reasonable given general industry standards for rates of return on equity for similar projects with similar risks and given the financial capacity of the entrepreneur(s) to make additional financial investments.

If the project involves providing assistance to a microenterprise owned by a low- or moderate-income person(s) (Targeted Income Group person), then the reviewer might only need to determine that non-Federal sources of financing are not available (at terms appropriate for such financing) in the community to serve the low-or moderate-income entrepreneur.

**Financial Feasibility of the Project.** The public benefit a grantee expects to derive from the CDBG assisted project (a separate eligibility requirement) will not materialize if the project is not financially feasible. To determine if there is a reasonable chance for the project's success, the grantee should evaluate the financial viability of the project. A project would be considered financially viable if all of the assumptions about the project's market share, sales levels, growth potential, projections of revenue, project expenses and debt service (including repayment of the CDBG assistance if appropriate) were determined to be realistic and met the project's break - even point (which is generally the point at which all revenues are equal to all expenses). Generally speaking, an economic development project that does not reach this break - even point over time is not financially feasible. The following should be noted in this regard:

- A. Some projects make provisions for a negative cash flow in the early years of the project while space is being leased up or sales volume built up, and the project's projections should take these factors into account and provide sources of financing for such negative cash flow; and
- B. It is expected that a financially viable project will also project sufficient revenues to provide a reasonable return on equity investment. The reviewer should carefully examine any project that is not economically able to provide a reasonable return on equity investment. Under such circumstances, a business may be overstating its real equity investment (actual costs of the project may be overstated as well), or it may be overstating some of the project's operating expenses in the expectation that the difference will be taken out as profits, or the business may be overly pessimistic in its market share and revenue projections and has downplayed its profits.

In addition to the financial underwriting reviews carried out earlier, the reviewer should evaluate the experience and capacity of the assisted business owners to manage an assisted business to achieve the projections. Based upon its analysis of these factors,

the reviewer should identify those elements, if any, that pose the greatest risks contributing to the project's lack of financial feasibility.

**Return on Equity Investment.** To the extent practicable, the CDBG assisted activity should not provide more than a reasonable return on investment to the owner of the assisted activity. This will help ensure that the grantee is able to maximize the use of its CDBG funds for its economic development objectives. However, care should also be taken to avoid the situation where the owner is likely to receive too small a return on his/her investment, so that his/her motivation remains high to pursue the business with vigor. The amount, type and terms of the CDBG assistance should be adjusted to allow the owner a reasonable return on his/her investment given industry rates of return for that investment, local conditions and the risk of the project.

**Disbursement of CDBG Funds on a Pro Rata Basis.** To the extent practicable, CDBG funds used to finance economic development activities should be disbursed on a pro rata basis with other funding sources. Grantees should be guided by the principle of not placing CDBG funds at significantly greater risk than non-CDBG funds. This will help avoid the situation where it is learned that a problem has developed that will block the completion of the project, even though all or most of the CDBG funds going in to the project have already been expended. When this happens, a grantee may be put in a position of having to provide additional financing to complete the project or watch the potential loss of its funds if the project is not able to be completed. When the grantee determines that it is not practicable to disburse CDBG funds on a pro rata basis, the grantee should consider taking other steps to safeguard CDBG funds in the event of a default, such as insisting on securitizing assets of the project.

**Standards for Evaluating Public Benefit.** Besides reviewing a project under these underwriting factors, the project must be reviewed to determine that at least a minimum level of public benefit is obtained from the expenditure of the CDBG funds. The minimum standards for each type of public benefit are as follows:

- A. The project must lead to the creation or retention of at least one full-time equivalent job per \$35,000 of CDBG funds used; or
- B. Provide goods or services to residents of an area, such that the number of Targeted Income Group persons residing in the areas served by the assisted business amounts to at least one Targeted Income Group person per \$350 of CDBG funds used.

# **BUSINESS ASSISTANCE REVOLVING LOAN ACCOUNT PROGRAM INCOME GUIDELINES**

## **1.0 INTRODUCTION**

The [City/County of \_\_\_\_\_] Revolving Loan Account (RLA) is designed to provide the critical and necessary capital needs of businesses and development projects in the [City/County]. The RLA is capitalized with funds recaptured from the State of California Community Development Block Grant (CDBG) Program business loan and impact fee payments. The intent of the RLA is to provide "appropriate" assistance to business and development projects, which in turn will create and/or retain jobs, along with increasing the commercial and industrial base of the community.

An RLA, in this context, refers to a loan program in which loan repayments are "revolved" or recaptured to be substantially reloaned for CDBG eligible projects. Therefore, the initial recapture that capitalizes the program will be used again to create additional jobs, assist more businesses and projects, and provide significant benefits beyond the RLA's initial loans.

## **2.0 PURPOSE AND OBJECTIVES**

### **2.1 PURPOSE:**

The RLA is designed to provide need-based funding as some percentage of a project's total financing requirements. The RLA is targeted to businesses and projects that have the greatest potential for long-term job creation/retention, particularly jobs created and/or retained for low and moderate income persons.

The RLA will assist businesses and projects that start-up, expand, and/or locate within the city/unincorporated county limits of \_\_\_\_\_. The RLA funds can be used to finance:

- A. Working Capital/Lines of Credit,
- B. Inventory Purchase,
- C. Equipment Acquisition,
- D. Real Property Acquisition, Construction, Rehabilitation, and
- E. Furniture/Fixtures.

### **2.2 ECONOMIC BENEFITS & OBJECTIVES:**

The following elements are critical in the selection of loans for the RLA Program:

- Existence of a documented need that hinders the business or project from obtaining or affording the project without the RLA injection.
- The loan meets the RLF's underwriting criteria.

- A sufficient number of jobs will be created or retained as a result of the CDBG-assisted project to justify CDBG assistance.
- Where benefit to low and moderate income households is the national objective, at least 51% of the jobs created and/or retained must be from the Target Income Group (TIG). The TIG is a low/moderate income person whose household income does not exceed 80% of county median household income. In order to meet the criterion for created jobs, the business must provide payrolls identifying employees who have self-certified that they are members of the TIG at the time they are hired. For job retention projects, an income self-certification will be conducted on all employees prior to the approval of the loan.
- Where eradication of slums and blight is the national objective, job creation must be documented through submitted payrolls and the business must be located in an area appropriately designated as blighted.

## **2.3 SOURCE OF FUNDING:**

The source of funding for the RLA is repayments from State of California Community Development Block Grant Program business loans and development impact fees.

## **3.0 DESCRIPTION OF FUNDING**

### **3.1 GUIDELINES & FEATURES:**

The minimum or maximum RLA loan amounts have been set here by the [City/County] and are [\$\_\_\_\_\_]. However, RLA loans above \$250,000 will require additional approval by the State Department of Housing and Community Development (HCD), Economic Development Advisory Committee (EDAC).

- **Leveraging:** The RLA Program's overall goal is to leverage a realistic pledge of dollars from equity and/or debt for every one RLA dollar loaned. On a case by case basis this leverage requirement may be waived. A private dollar can be either a loan or owner equity. Owner equity can be cash and/or land. The land is counted only for construction projects. Expenditures made by the loan applicant prior to the RLA loan award are not counted unless made as part of the submittal, and made within 60 days of the RLA loan submittal, related to and in anticipation of such submittal.
- **Loan Terms:** Up to twenty-five years, depending on the asset being financed and the demonstrated need for the RLA funds.
- **Interest Rate:** The interest rate is set based on the demonstrated financial need of each borrower. If the financial need is the availability of capital, the interest rate shall be near market rates for the asset being financed. If the financial need is the cost of capital (rate, term or collateral requirements), then the interest rate is set by evaluating the financial information to determine at what

interest rate the project would be viable.

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- **Loan Fee:** (This fee is for costs not paid with CDBG grant funds or program income)
- **Prepayment Penalty:** None
- **Deferral of Payments:** On a case by case basis, determined based on the financial gap."
- **Job Creation/Retention:** One full time equivalent job (1,750 hours annually) per \$35,000 loaned shall be achieved for each loan. Two permanent part-time jobs (at least 875 annually) can be aggregated to count as one full time equivalent job. For loans meeting the national objective of principally benefiting the Targeted Income Group (TIG), at least 51% of the jobs created/retained shall be held by TIG persons.
- **Collateral Requirements:** The RLA is a cash flow lender. Collateral coverage will be assessed to determine the maximum collateral available to maintain cash flow and insure permanent job creation. Types of collateral may include:
  - Liens on real property,
  - Deeds of Trust,
  - Liens on machinery, equipment, or other fixtures,
  - Lease assignments, as appropriate,
  - Personal and/or corporate guarantees, as appropriate, and
  - Other collateral, as appropriate.

### **3.2 GENERAL ADMINISTRATIVE FEATURES:**

- Confidentiality of Client Financial Information, as allowed by law.
- Equal Opportunity/Affirmative Action Policy.
- Attorney review of all contracts and legal forms.
- Monitoring and Reporting Forms.
- Collection and Foreclosure Policy.
- Compliance with HCD and HUD regulations.
- The Business Development Corporation will be responsible for overall project marketing, loan evaluation, loan packaging, and monitoring.

### **3.3 PROJECT EVALUATION CRITERIA:**

- The number of jobs created/retained and the percentage benefiting members of the Targeted Income Group.
- The amount of private dollars leveraging RLA funds.
- The financial viability of the proposed project.
- The demonstrated need for the RLA funds ("appropriate" test).

### **3.4 GENERAL CREDIT REQUIREMENTS:**

A Loan Applicant must:

- Be of good character,
- Show ability to operate a business successfully,
- Have enough borrowing ability or equity to operate, with the RLA loan, on a sound financial basis,
- Show the proposed loan is of sound value or reasonably secure to assure repayment, and
- Show that the past earning record and future prospects of the firm indicate ability to repay the loan and other fixed debt, if any, out of the profits.

### **3.5 LOAN PACKAGING:**

The [STAFF/PROGRAM OPERATOR] will be responsible for RLA loan packaging activities, including review of all proposals presented to the Loan Advisory Board (LAB).

### **3.6 LOAN REVIEW:**

The Loan Advisory Board (LAB) shall be responsible for reviewing funding proposals and making recommendations to the [City/County] staff. The [City Manager/CAO] of the [City/County] of \_\_\_\_\_ will make the final decision on approval or denial of all loan applications submitted, including terms and conditions of loan agreements. The LAB shall be comprised of:

- One representative of \_\_\_\_\_
- One representative of \_\_\_\_\_, and
- One representative of the business community appointed by the [City/County].

All projects meeting the established criteria shall be brought before the LAB.

### **3.7 LENGTH OF REVIEW PROCESS:**

On average, the RLA review process takes six to eight weeks from submittal of a complete loan application through LAB review. Loan funds can be disbursed two to three weeks after signing the RLA documents, depending on the financing and approval by HCD. Conditional commitments can be made prior to final approval from another funding source. Every effort will be made to facilitate the process to coincide with the other funding source and the project's requirements.

### **3.8 LINKING JOBS WITH LONG-TERM UNEMPLOYED:**

The [City/County] of \_\_\_\_\_ and the [PROGRAM OPERATOR] work closely with the Workforce Investment Act (WIA) programs and services that provide assistance to the unemployed and low and moderate income persons. With the assistance of the State Employment Development Department, the agencies regularly promote training activities and the labor market to potential employers in the area. Early and consistent

involvement with each loan applicant will be an integral policy of the RLA Program.

The training, recruitment and placement activities currently operating in the community constitute the primary vehicle for insuring that the unemployed, under-employed and low and moderate income persons are linked with the jobs created through the RLA Program. These programs provide training and can be custom tailored specifically to meet a company's needs. Loan recipients in the RLA will be provided with a detailed description of the services and benefits, including financial, of participation in the Workforce Investment program and will be referred to the job training agencies. *[The City/County will use cooperative agreements with the job training agencies to refer all borrowing companies to the WIA-funded program for prospective employers. All loan recipients will be required to sign a Loan Agreement. This Loan Agreement includes a Three-Party Employment Agreement which lists specific jobs to be created with RLA funds and designates the job training agency as the primary personnel resource for all available positions.]* The /city/county/job training agency will insure 100% income self-certification of all TIG hires placed by them.

#### **4.0 ELIGIBILITY**

##### **4.1 ELIGIBLE APPLICANTS:**

Eligible applicants include on-going and start-up private, for profit business concerns, corporations, partnerships, sole proprietorships and cooperatives that are incorporated and licensed, and are located in or expanding to [city/county]. The project to be financed with the RLA Program must be within the [the incorporated area of the [city/county], the labor market area as defined by\_\_\_\_, the MOU or MOA as attached as an addendum to this agreement]

##### **4.2 ELIGIBLE USES:**

The project must be commercial or industrial. RLA funds can be used for construction and permanent financing, working capital, inventory, equipment, real property acquisition, construction and rehabilitation.

##### **4.3 INELIGIBLE USES:**

Projects must be located in the [city/county]. Projects cannot be residential in nature. Projects must have reasonable assurance of repayment. Projects are not eligible if they create a conflict of interest pursuant to California Government Code S87100 et seq for any current [city/county] or Business Development Corporation employee or Loan Advisory Board (LAB) member. Projects must create or retain jobs, primarily for the Targeted Income Group or through the eradication of slums and blight, and must leverage private or equity funds.

##### **4.4 ELIGIBLE PROJECTS:**

Project eligibility is based on the project satisfying a CDBG Program national objective: (i.e. principally benefit targeted income group persons through job creation/retention, aid

in the elimination of slums or blight, meet a community development need having a particular urgency) and the public benefit requirement of \$35,000/job or less. Additionally, the eligibility of a project is dependent on the appropriate determination being made to justify the provision and extent of CDBG assistance.

#### **4.5 ELIGIBLE COSTS:**

- Land costs, including engineering, legal, grading, testing, site, mapping and related costs associated with the acquisition and preparation of land.
- Building costs, including real estate, engineering, architectural, legal and related costs associated with acquisition, construction and rehabilitation of buildings including leasehold improvements.
- Finance of inventory, furniture, fixtures, machinery and equipment.
- Working capital, in conjunction with any of the above

#### **4.6 INELIGIBLE COSTS FOR CDBG LOANS**

Costs incurred prior to CDBG grant execution, submittal of the loan application, and environmental review requirements, except for private leverage as specified in Section 3.1. and costs other than those listed as eligible in Section 4.5.

#### **5.0 ROLE OF THE PARTICIPANTS (BY EXAMPLE)**

##### **5.1 ROLE OF THE BUSINESS DEVELOPMENT CORPORATION OR PROGRAM OPERATOR:**

will, as required:

- publicize and market the RLA; screen all applicants for loans;
- refer candidates that are not eligible, do not meet the RLA criteria or need technical assistance to the Small Business Development Center;
- ask promising candidates to submit preliminary information and an application, along with accompanying financial information;
- prepare package, along with recommendation to loan advisory;
- if approved, assist [city/county] with loan processing and closing;
- once closed, monitor the loan, maintain the loan records, and monitor compliance with job objectives.

##### **5.2 ROLE OF THE LOAN COLLECTION AGENT:**

The [city/county] will contract with a local lender to act as the loan collection agent. The duties of the collection agent will include the following:

- loan servicing and accounting;
- provide monthly receipts of loan payments to city/county program operator
- provide quarterly statements on each loan to city/county program operator
- in concurrence with the jurisdiction's legal counsel, undertake loan collections,

- including asset liquidation;
- obtain credit reports on all loan applicants and provide such to city/county or program operator.

### **5.3 ROLE OF CITY/COUNTY STAFF:**

The [city/county] staff will make the daily decisions called for or implied regarding the activities of the RLA. Decisions to foreclose and declare defaults will be the responsibility of the [City Manager/CAO], in consultation with legal counsel, based upon recommendations of staff and BDC. The [city/county] staff will monitor on-going operations of the loan recipient, in conjunction with program operator. Staff will consult and monitor program operator during the term of the contract. Staff will review all reports, financial information and performance reports on each loan during the term of the loan. Staff will serve as the contact for the State Department of Housing & Community Development for the RLA Program.

[City/County] staff will meet with each RLA applicant to ensure that the applicant maintains the documentation required. Staff will brief each applicant on his obligations and requirements of the Program. Additionally, [City/County] staff will conduct an environmental review of the project as necessary. [City/County] staff and program operator will refer potential applicants, including those ineligible or denied RLA financing, that need technical and management assistance to the appropriate organization. As a condition of the loan, the [City/County], LAB or program operator may require that applicants receive pre- and/or post-loan counseling.

[City/County] staff and/or the program operator may require applicants who have received loans to undertake business counseling if it appears that the applicant's financial position is declining and the RLA loan may become delinquent.

## **6.0 LOAN SELECTION & APPROVAL PROCESS**

### **6.1 PROCESS:**

#### **6.1.(A) MARKETING:**

The marketing of the RLA Program will be accomplished by a variety of means. There will be media coverage, marketing brochures, and joint marketing through program operator's existing loan packaging and financial services. Local lenders will recommend clients and projects, when appropriate. The Small Business Development Center, local Realtors, and business associations will also refer potential applicants. The City and program operator will also use existing business and community networks to market the RLA Program.

#### **6.1.(B) PROCEDURE:**

Once a potential project has been identified, City/County and program operator staff will conduct a preliminary review for eligibility with the RLA criteria. If another lending source is more appropriate, or the project does not meet the RLA criteria, the staff will

refer the prospective borrower to another organization for assistance.

If the project appears to meet the criteria, the applicant will be asked to submit preliminary information. Preparation and submission by an applicant of preliminary information and supporting documents include, but are not limited to: business and personal tax returns for the last three years or since commencement of operations (whichever is less), business financial statements (balance sheet and income statement) for current year and prior three years, current personal financial statement, credit history, and proposed project summary. Start-up businesses must submit proforma financial statements for the first five years. Real estate projects must submit pro forma projections for the first five years, and pre-leasing information.

The preliminary information will be reviewed by program operator staff, in consultation with City/County staff. If the project is viable, a draft loan analysis will be prepared by program operator. If the decision is to decline the request, the program operator will provide the applicant with a written explanation of the denial. If appropriate, referrals to other organizations will be made.

If the review is positive, the applicant will be invited to an application conference with program operator and to submit a formal application to program operator, which will be presented to the LAB for their recommendation. At the application conference, program operator will review with the applicant the formal RLA checklist and required information, forms and financial schedules deemed necessary by program operator or City/County to complete the loan package. City/County and program operator will determine project needs/conformance with local requirements, as well as determine the necessary environmental review for the project. City/County will begin the environmental review as necessary.

The applicant, in conjunction with City/County, program operator and WIA, will develop the employment plan. Upon completion of the necessary information, applications will be presented by the program operator to the LAB. The presentation will include a completed RLA Project Evaluation Form (sample attached as Exhibit 2). If the private funds are from equity, then the commitment letter must be from the applicant. The program operator presentation will include a recommendation. This recommendation will include the proposed terms and conditions, based upon the identified financial need and the "appropriate" analysis undertaken by program operator ,along with a checklist insuring that the loan meets the RLA guidelines and criteria.

The LAB will decide to recommend approval or to decline the loan request. If declined the applicant will be informed in writing by program operator as to the reason. If recommended, the LAB's recommendation can be under the terms and conditions proposed by program operator, or the LAB can recommend alternative terms and conditions. The LAB recommendation is the presented to the City Manager/CAO. Prior to City Manage/CAO consideration, City/County staff will review the loan package for completeness and regulatory compliance, as well as final review for compliance with RLA guidelines and criteria.

If the City Manager/CAO approves or denies the loan request, the applicant will be

notified in writing. If denied, the reasons for denial will be included. City Manager/CAO approval shall include a certification statement that, based on his/her review of the staff report and LAB recommendation, the City/County finds that the CDBG loan is appropriate and that the assistance is commensurate with both the needs of the borrower and public benefits stemming from the project.

#### **6.1.(C). LOAN CLOSING:**

Upon approval by the City Manager/CAO, program operator and City/County will prepare for the loan closing. The Borrower will sign all the necessary documents and agreements. The City/County will request a drawdown of funds from the State Department of Housing & Community Development (the timing of the request may vary depending on the project). The program operator will prepare the loan closing documents, prepare title and lien searches, and UCC-1 filings, if appropriate (the sample pre-closing checklist and escrow instructions attached in Exhibits 6, 7A and 7B will be developed and used for each loan closing). City/County legal counsel will review all agreements and documents, as necessary.

Loan closing will be undertaken by the City/County with program operator assistance. At the time of closing, the Borrower will be provided with a checklist outlining their obligations under the RLA Program. At closing, or another specified time, funds will be disbursed to the Borrower. City/County and program operator will complete any remaining legal, regulatory or other items (Exhibit 8 contains a sample checklist). Monitoring and compliance files will be set-up at this time.

#### **6.1.(D). LOAN MONITORING:**

Two separate loan files will be maintained. The first is the legal file which holds all the original loan documentation, along with the original documents. This file shall be kept in a fireproof vault for safekeeping. The second is a credit file which shall contain the day-to-day administrative records of the loan. Exhibit 9 is an explanation of the items in the legal file.

At a minimum the legal file shall include:

- Note
- Loan Agreement, including Non-Financial Employment Plan
- Mortgage
- General Security Agreement
- Personal Guaranty
- Corporate Guaranty
- Subordination Agreement
- Life Insurance Policy and Assignment
- Hazard Insurance Policy and Assignment
- General Resolution
- Certificate of Secretary
- Opinion of Counsel
- Intercreditor Agreement

The credit file shall contain, at a minimum, the loan application and financial information associated with the application, credit memo, LAB recommendation, final local approval, disbursement records, reports of site visits, updated financial information provided by borrower, job creation/retention data, etc.

A reporting system will be established for each loan and the loan portfolio as a whole. The report should be up-dated at least quarterly. The program operator shall be responsible for preparation of this report. The report will be used by program operator and the City/County to monitor the loans and identify problems. The report will contain the following:

- **Fund Report Balance:** A monthly summary of the beginning fund balance, principal and interest recaptured during the month, disbursements made during the month and funds committed but not yet disbursed, and amount remaining in the RLA which is unencumbered. The monthly receipts from the lender on each loan will serve as the basis for this report.
- **Portfolio Summary Report:** A quarterly summary of the total loans outstanding and authorized loans. The report shall include a quarterly statement on each loan, prepared by the lender. The quarterly report shall include the last payment date and loan balance. Delinquent loans shall be identified and a summary of actions to date to collect delinquent loans shall be included.
- **Employment Report:** A quarterly report on each project detailing the jobs created/retained, and where applicable those hired that meet the Targeted Income Group.
- **Loan Loss and Delinquent File:** A list of all loans that have been classified as uncollectible and a summary of foreclosure procedures to date on the loan. Loans that are delinquent will also be listed, along with a summary of recommended steps, and steps taken to date.
- **Tickler File:** A listing of the current loan portfolio and dates for receipt of financial statements, employment information, renewal of UCC-1 filings, review date, dates for insurance renewal and other information.

In addition, a loan monitoring file will be established which will include a summary of the monitoring requirements of the State Department of Housing and Community Development. A tickler file will be part of this overall file to insure that loan and RLA Program monitoring is undertaken and completed.

## INFRASTRUCTURE PROGRAM GUIDELINES

In addition to the Guidelines and Objectives for Evaluating a CDBG Economic Development Project, infrastructure projects entail additional requirements which include "Determining the Assessment Area" an "Impact Fee Allocation Plan, and an Employment Plan and Agreement .

CDBG funds cannot be used for infrastructure improvements in support of speculative development. A developer or business must be committed to the project and fulfill the public benefit requirement. The financial documentation required of a business or developer is the same as required for a CDBG funded business loan, and similarly documents the ability of the enterprise to create or retain jobs. Depending on the needs of the business or developer, infrastructure assistance can be in the form of a loan or a grant.

**Please Note: – An Infrastructure grant request of \$250,000 or more will require a separate review by the Department's Economic Development Advisory Committee, which convenes monthly upon request.**

### ***Determining the Assessment Area***

The assessment area for an infrastructure project is generally the area served by the improvements. The assessment area contains the businesses from which data is to be collected to determine if the project has met a national objective. However, infrastructure projects are often sized to meet more than the infrastructure needs of the initial benefiting business or businesses. In such instances, the parameter of the assessment area is based upon the level of projected public benefit to be realized from the project.

### **Where TIG benefit is the national objective to be met:**

The assessment area includes only the initially benefiting business(es) if the **projected** cost per job from the initial benefiting business(es) is less than \$10,000,. Collect data only from the initial business(es) for the purpose of confirming that the national objective of benefit to the targeted income group through job creation or retention has been achieved. This data includes the number of jobs created or retained, hours to confirm full-time or part time status, and the number of jobs held by the targeted income group. This information is to be collected quarterly until the end of the State grant term.

The assessment area is defined as the area served by the infrastructure improvements, and includes all businesses in the service area of the improvements that create or retain jobs as a result of the infrastructure improvements, and any other businesses which locate or expand in the service area of the infrastructure improvements during the time period of the commitment of CDBG funds to the project until one year after the completion of the infrastructure improvements if the **projected** cost per job is \$10,000 or more,.

Collect data from the initial benefiting businesses and every business locating on site for

the year following the completion of the improvements for purposes of confirming that the national objective has been achieved. This data includes the number of jobs created or retained, the number of jobs held by the targeted income group, and is to be collected for, at minimum, one year past completion of construction of the improvement, and quarterly until the end of the State grant term.

Be aware that if the actual cost per job is significantly higher than the projected cost per job realized from an infrastructure project, the grantee will be required to develop more accurate job creation/retention projection techniques for future CDBG Economic Development applications.

### ***Impact Fee Allocation Plan***

An Impact Fee Allocation Plan is a plan to levy the cost of the infrastructure improvements on the current and future beneficiaries of infrastructure improvements designed to overcapacity. The plan ensures that other available sources of funds are maximized as required under CDBG underwriting guidelines, see Appendix A. When the project is in the design phase, the grantee must:

- Identify all of the businesses benefiting from the infrastructure improvements;

- Determine the impact fees to be assigned to each benefiting business based upon a pro-rata portion of the project costs; and,

- Establish a recapture payment plan for each benefiting business

The impact fee addresses the HUD underwriting guideline which directs the avoidance of substitution of CDBG funds for other non-federal financial support (i.e. maximizing all available resources). You must also document how impact fee payments will be obtained from future benefitting businesses. Impact fees are distinct from ongoing operating fees; they are intended to recapture the construction cost of the improvement in total, thereby capitalizing a fund for CDBG eligible activities in the same manner as the reuse of loan repayments.

Impact fees collected up front are to be applied to total project costs and should be disbursed into the project prior to the drawdown and full disbursement of any CDBG funds. Impact fee payments collected after the CDBG funds are disbursed and the improvements are completed are considered program income.

### **Employment Plan and Agreement**

The Employment Plan and Agreement are required where jobs will be created. The Employment Plan outlines the responsibilities of the jurisdiction, the developer and/or businesses,(and an income screening entity where necessary) in insuring that jobs are created and that the national objective and public benefit requirements are met. The Employment Agreement is struck between the jurisdiction (the income screening entity

where necessary) and the developer or each business that will be creating jobs, and is a condition of development of the site and/or hookup along the improvement being financed.

Both the Plan and the Agreement should identify the type and number of jobs to be created. Include a non-monetary default provision in the loan agreement with the business or developer that stipulates the business will create the full time equivalent jobs and provide regular reports to the Grantee on the number of hires, and number of TIG hires where necessary.

## MICROENTERPRISE GUIDELINES

A "microenterprise" is a business that has five or fewer employees, one or more of whom owns the enterprise. The size limitation applies only at the time the assistance is provided. A person "developing a microenterprise" is a person who has expressed interest and who is, or after an initial screening process is expected to be, actively working toward developing a microenterprise. Not all participants in a CDBG-funded microenterprise program will actually start a business.

Microenterprise assistance activities include:

1. Technical assistance, advice and business support services to owners of microenterprises and persons developing microenterprises.
2. Loan funds to provide for the establishment, stabilization and expansion of a microenterprise.
3. General support to owners of microenterprises and persons developing microenterprises. Support services include, but are not limited to, peer support programs, counseling, child care, transportation and other similar services.

A microenterprise activity must meet the "limited clientele (100% TIG Benefit) national objectives. Under this provision, persons are considered to be members of the targeted income group for up to a three year period. Microentrepreneurs and potential microentrepreneurs who apply for assistance will be income verified prior to their initial participation in the program.

Tasks which can be funded under the microenterprise assistance category include:

- Recruit, screen and assess the needs of program applicants who are promising future business owners;
- Recruit and assist program applicants throughout the entire cycle of business start-up through operation.
- Assist program applicants in conducting market research to determine the types of small business products or services and market areas that would be economically feasible;
- Assist program applicants in product or service design, marketing and financing and development;
- Assist program applicants to secure private sector sources of capital for business start-up and operations;
- Analyze the need for, and secure the supportive services such as daycare and transportation, readers and interpreters, to enable the program applicants to

commit fully the time and energy required to start and operate a small business;  
and

- Coordinate other available Federal, State and local assistance.

The following are Types of Microenterprise Assistance Programs:

Technical Assistance Programs  
Classroom Training Programs  
Loan Assistance/Loan Guarantee Programs  
Peer Lending/Individual Development Accounts

The following agencies are links for potential candidates and services

State Dept. of Social Welfare; Employment/Training	State	Dept.	of
State Vocational Rehabilitation;	State Commission on Women		
State Veteran's Affairs Office;	State Dept. of Economic Development		
Regional Development Corporations;	Small Business Development Centers		
Other Small Business Programs;	Small Business Associations		
Town Clerks;	Town Selectboards		
Town Administrators			

The foundation of a CDBG Microenterprise Assistance Activity is the Beneficiary Tracking Plan. The Beneficiary Tracking Plan outlines the proposed benefits, eligible activities and ongoing evaluation of program services and is the roadmap for the activity. It defines the goals, identifies the roles and responsibilities of service providers, identifies the market and focuses the outreach, defines the screening and referral process and tracks the beneficiaries through the programs levels of service. It includes the document tools necessary for defining the roles and responsibilities and meeting the reporting requirements of the State CDBG program.

Loans to microenterprises made with grant funds or program income funds must follow the overlay and underwriting guidelines for the Enterprise Fund Business Assistance Activity.

## ECONOMIC DEVELOPMENT COST CATEGORIES

Activity	General Administration	Activity Delivery	Program Loan/Activity
Advertisement	X	X	
Application Preparation	X	X	
Appropriate Fees		X	X
Attend Workshops (HCD)	X		
Bidders Conferences		X	X
Use of Loan Proceeds			X
Engineering Draw/Design		X	
Environmental Studies	X		
Fiscal Reporting	X		
General Coordination	X		
Indirect Costs	X	X	
Insurance Premium		X	
Loan Processing		X	
Marketing		X	
Meetings with Banks		X	
Meetings with Borrowers		X	
Personnel Office	X		
Planning Studies	X		
Procurement Office	X		
Program Reporting	X	X	
Loan Servicing		X	
Relocation Costs		X	
Legal Costs	X	X	
Loan Committee Meeting	X	X	

## ENVIRONMENTAL REVIEW PROCEDURES APPLICABLE TO CDBG FUNDED ECONOMIC DEVELOPMENT ACTIVITIES

You are obligated to complete an environmental review whenever CDBG funds are used. The review process is set forth at 24 CFR Part 58. In the case of providing a business with direct financial assistance (such as loan, grant, loan subsidy, loan collateralization, or loan guarantee), You must complete an environmental review for each loan. This process may require publication of a Finding of No Significant Impact (FONSI) and publication of a Notice of Intent to Request Release of Funds and HCD's release of funds. All applicable components of the process must be completed prior to the grantee's expenditure of CDBG funds.

Prior to completion of the environmental review process, the borrower may only commit funds or incur costs for activities which would qualify as exempt under Part 58.34, such as project planning and design.

We recommend that you examine the environmental review process to ensure that you are fully complying with the requirements of Part 58. To assist you in assessing the adequacy of your procedures, review the following information.

Early Review and Exempt Activities. Technical assistance activities provide business planning and related studies in support of a project. These activities are generally considered to be exempt under NEPA Section 58.34 (a). Planning/ Technical Assistance grants are available during a once a year funding cycle for economic development planning and on an over-the-counter basis throughout the fiscal year on behalf of specific business or development activity that will likely lead to an Over The Counter Application for funds..

Where Site-Specific Information is Lacking. When you have received an Enterprise Fund grant, where loans will be made to as yet unidentified businesses, you often have yet to identify your borrower and the project and you therefore lack crucial, detailed information needed in order to complete an environmental review. Consequently, you will only be able to complete the environmental review on a loan-by-loan basis each time you receive a loan application.

Consider the Overall Project/Review Comprehensively.

In your review of the proposed CDBG loan, you must look at the entire project in which the CDBG funds will participate, not just the specific activity for which CDBG funds will be used. For example, if as part of a proposed business expansion, CDBG funds would be used to purchase equipment, and private loan funds and equity would be used to purchase a site and construct a new building, then the environmental review must look at the impact of the aggregate of action, including acquisition, construction, equipment installation, etc.

Mere review of the CDBG funded purchase and installation of equipment alone would be insufficient to assess the environmental impact of the CDBG participation

in the overall project. In addition, the fact that an environmental review under CEQA has been completed during the land-use approval process does not satisfy the requirement that the specific project be reviewed under CEQA and NEPA. HUD requires your CDBG representative to review for compliance with NEPA. State law requires your CDBG representative to review for compliance with CEQA.

Applicable Environmental Review Procedures. Projects may be classified by type into six levels of clearance. Each level of clearance will require compliance with different procedural requirements, some minimal, some extensive. The six levels are outlined below. The comments immediately following this breakdown briefly explain the procedural requirements associated with each group.

- (1) The project could be exempt (per 58.34) from NEPA; or,
- (2) The project could be categorically excluded but not subject to Part 58 under NEPA (per 58.35(c)(5)); or,
- (3) The project could be categorically excluded from NEPA (per 58.35) then converted to exempt status, if the activity would not affect or be exposed to any of the environmental factors addressed through other authorities listed at 58.5 (such as flood plains, historic preservation, etc.; or;
- (4) The project could be categorically excluded under NEPA (58.35) but not convertible to “exempt”, because the nature of the project requires that the grantee meet additional procedural requirements in conformance with the authorities listed at 58.5; or,
- (5) The project could be one which requires that the grantee complete an Environmental Assessment (NEPA) (per 58.36) which could lead to a Finding of No Significant Impact; or,
- (6) The project could be one which requires a full environmental impact statement (EIS) under NEPA (per Section 58.37).

Procedural Requirements by Level. The following comments briefly outline the minimum procedural requirements associated with each of the above levels:

Exempt NEPA. Commitment or disbursement of CDBG funds for activities which are exempt (58.34) is permitted as soon as the grantee documents that the activity is exempt. The locality’s completion of the “Finding of Exemption” would satisfy this documentation requirement.

**examples:     planning/technical assistance studies**

Categorically Excluded but Not Subject to Part 58 NEPA. A project will fall into this category if it is found in 58.35(c)(5) under NEPA regulations. Required documentation includes Form 58.6, Finding of Categorical Exclusion (top part only).

**examples: loans for working capital, plug-in equipment, supplies, where no changes are being made to the site.**

Categorically Excluded (Converted to Exempt) NEPA. A project will fall into this category if the project has no secondary findings on the Statutory Worksheet. In this case, no further review is required, and CDBG funds and private funds may be committed or disbursed as soon as the grantee documents its determination. Required documentation includes: Completed Statutory Worksheet, Finding of Exemption (NEPA). Remember that for a project involving an historical structure or land disturbance, SHPO must be contacted and presented with a determination as to impact. The project is convertible if no significant impacts are identified.

**examples: rehabilitation of buildings with no change in land use, minimal or no change in size, replacement or minimal change in infrastructure to support the project. The Statutory Worksheet has been completed and there are not secondary findings.**

Categorically Excluded But Not Convertible to Exempt NEPA. If, in the process of completing the Statutory Worksheet, there are one or more secondary findings, then the project would fall into this category. The file must document compliance before any funds, including private funds, are committed or disbursed. At a minimum, compliance will require that the grantee publish and disseminate a Notice of Intent to Request Release of Funds and a Request for Release of Funds. Required documentation includes: Completed Statutory Worksheet, Finding of Categorical Exclusion (NEPA), Notice of Intent to Request Release of Funds, Request for Release of Funds.

**examples: same as group 3 above, however, there is a secondary finding on the Statutory Worksheet (in floodplain, historic building, etc.)**

Finding of No Significant Impact/Negative Declaration. If a project is not found within the regulations under 58.34 or 58.35, then an Environmental Assessment/Initial Study must be undertaken. This could lead to a Finding of Not Significant Impact (FONSI) (NEPA) or Group 6 below. Required documentation: Environmental Assessment, FONSI combined with a Notice of Intent to Request Release of Funds, Request for Release of Funds.

**examples: new construction, rehabilitation with increase in size or change in use new infrastructure**

Requires an Environmental Impact Statement NEPA. If a project is not found within the regulations under 58.34 or 58.35 and a project requires extensive new construction or increase in size or capacity by more than 20%, and preparation of an Environmental Assessment determines that an EIS must be undertaken

**Examples: same as group 5, however, the project will significantly impact the environment**

CFR 58.	MONTR SEC.	CLEARANCE FINDING/ ACTIVITIES	DOCUMENTATION & FORMS
58.34	1.a.	Exempt from NEPA <ul style="list-style-type: none"> <li>• Planning &amp; T. A.</li> <li>• Microenterprise</li> <li>• Training</li> <li>• Eng./Design Costs</li> </ul>	Finding of Exemption <ul style="list-style-type: none"> <li>• Project description</li> <li>• Environmental Officer signature</li> </ul>
58.35 (b)	1.b.	Excluded from NEPA but not subject to Part 58 * <ul style="list-style-type: none"> <li>• Working Capital</li> <li>• Inventory Purchase</li> <li>• Equipment Purchase</li> </ul>	Finding of Exclusion <ul style="list-style-type: none"> <li>• Project description</li> <li>• Environmental Officer signature</li> </ul>
58.34 (a) (12)	1.c.	Exempt from NEPA (categorically excluded project is converted to exempt) <ul style="list-style-type: none"> <li>• Emergency situations</li> </ul>	Conversion to Exempt <ul style="list-style-type: none"> <li>• Project Description</li> <li>• Environmental Officer signature</li> </ul> Statutory Worksheet all status @ Primary Level – A** Building Construction
58.3(a)(3(ii))	1.d.	Categorically Excluded from NEPA	Statutory Worksheet any status @ Secondary level =B** Finding of Categorical Exclusion Notice of Intent to Request Release of Funds(allow 7 calendar days for public comment) Request for Release of Funds/Environmental Certification (upon receipt by dept, allow 15 days for public comment)
58.40		Environmental Assessment <ul style="list-style-type: none"> <li>• This process determines if an Environmental Impact Statement or FONSI should be prepared.</li> </ul>	<b>Format III Checklist</b> <b>Statutory Checklist</b> <b>Environmental Assessment</b>
58.40, 58.43, 58.45	1.e.	Finding of No Significant Impact FONSI <ul style="list-style-type: none"> <li>• Infrastructure Projects</li> <li>• Building Construction</li> </ul>	<b>Environmental Assessment w/ source documentation Notice of Finding of No Significant Impact on the Environment combined with Notice to Public of Request for Release of Funds</b> (allow 15 calendar days for public comments; upon receipt at HCD allow 15 calendar days for public comment) Request for Release of Funds/Environmental Cert.(upon receipt allow 15 days for public comment)

\*Consider the entire scope of the project, not just how the CDBG funds will be applied.

\*\*State Office of Historic Preservation must be contacted.

## BANK COMMITMENT LETTER (sample)

### INSTRUCTIONS

A commitment letter from a private lender should include the following information.

Loan Amount

Interest Rate

Maturity/Term

Collateral:

Deed of Trust

U.C.C.-1 Filing

Policy of Hazard Insurance

Other Conditions:

Prerequisites to Disbursement

Limitation on Draw/Salary

Submission of Financial Statements

Additional Borrowing

Change of Ownership

Sale or Transfer of Business Assets

Contingent on CDBG award

Date

Mr. John Smith  
Smith Heating Systems, Inc.  
555 3rd Avenue  
Typical City, CA

Dear John:

Wells Fargo Bank, National Association ("Bank") is pleased to provide to Smith Heating Systems, Inc. ("Borrower") a proposal to extend the credit accommodation described below in the maximum principal amount of Five Hundred Thirteen Thousand Five Hundred and no/100ths Dollars (\$513,500.00), on the following terms and conditions, so long as there has been no material adverse change in Borrowers financial condition, as determined by Bank:

1. Type of Credit: Real Estate Loan in conjunction with SBA under provisions of SBA 504 program.
2. Principal Amount: \$513,500.00.
3. Purpose: Permanent financing for industrial property located at Property Lot 00, Golden Leaf Lane, Golden Leaf, CA (a separate construction loan will need to be obtained).
4. Interest Rate: Money Market Funds Rate + 2%, fixed on date of disbursement and re-fixed at current Money Market Funds Rate + 2% on 5-year anniversary date.
5. Repayment: Equal monthly payments of principal and interest based on 25-year amortization.
6. Prepayment: Market based prepayment penalty except on 5-year anniversary date.
7. Maturity Date: 10 years from inception date of loan.
8. Commitment or Loan Fee: 2% plus out-of-pocket expense (e.g., title and escrow charges).
9. Collateral: First Deed of Trust on property at Property Lot 00, Golden Leaf Lane, Golden Leaf, CA.
10. Subject to: (a) Receipt of commitment from SBA for \$410,800.00



- (b) Total of monthly payments on Bank and SBA loans not to exceed \$11,333.00.
- (c) Financing required by Borrower cannot be fully satisfied by Bank without the participation of the SBA 504 loan program.
- (d) CDBG award from City of \_\_\_\_\_ in the amount of \$\_\_\_\_\_.

12. Contingent upon: Receipt of appraisal satisfactory to Bank.

This credit accommodation is made available subject to the terms, conditions and provisions of comprehensive loan documents to be executed by Borrower, including without limitation a loan agreement, all in form and substance satisfactory to Bank and all of which shall be executed prior to \_\_\_\_\_. Said loan documents shall include such representations, warranties, conditions, covenants and events of default as Bank deems appropriate, which shall be in addition to the terms and provisions stated in this letter.

This loan will fund upon Bank's normal standards and those of the SBA, but not later than \_\_\_\_\_, unless the Bank has further extended in writing.

Bank reserves the right to terminate this proposal at any time prior to Bank's receipt of acceptance by Borrower. This commitment expires on (date) unless executed by the Borrower. This proposal is personal to Borrower and may not be transferred.

\_\_\_\_\_  
Signature and Title of Bank Officer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Borrower

\_\_\_\_\_  
Date

## EVIDENCE OF COMMITMENT FROM BUSINESS (sample)

(Corporate Letterhead)

Date

City Manager  
City of XXX  
P.O. Box 1  
XXX, CA 9XXXX

Dear City Manager:

As you are aware, the XYZ Corporation has experienced a great deal of growth over the last several years. A result of this growth is the need to expand our operation. The XYZ Corporation plans to expand by constructing a 25,000 square foot building on land purchased by the firm two years ago at the Westside Industrial Park.

The total project cost for the purchase of land and construction of the building is \$1,300,000. The proposed financing for the project can be summarized as follows:

Bank Loan Funds	\$ 75,000
Corporate Equity	50,000
CDBG Loan Funds	<u>20,000</u>
	\$145,000

The equity is from two sources. The XYZ is contributing \$15,000 cash and \$35,000 in land equity to the project. The land equity is derived by the following:

Appraised Market Value	\$ 200,000 (See Attached Appraisal)
Less Debt on Land	<u>- 165,000</u>
Contributed Land Equity	\$ 35,000

The XYZ Corporation is committing this equity to the project and is willing to sign a legally binding commitment upon award of CDBG funds.

The project's feasibility, taking into consideration current long term financing costs, competitive investment alternatives, and near term economic conditions, is contingent upon XYZ Corporation obtaining CDBG funds. Any increase in XYZ Corporation's cash equity injection would seriously jeopardize our working capital requirements. I cannot emphasize too strongly the importance of the CDBG funds. Without these funds, we cannot proceed with the project at this time.

Sincerely,

Joe Smith  
President

## MARKET ANALYSIS OUTLINE

### a. Product Definition

- What is the nature of the business?
- What will be the product of the business?

### b. Trade Area

- What are the primary and secondary areas?
- What are the trade area demographics?

### c. Sales Volume in the Market

- What sales volume does the trade area generate for similar products?
- How much sales volume growth exists?
- Is sales volume growth supported by industry trends?

### d. Competition

- What businesses provide similar products in the trade area?
- Where are these businesses located?
- What share of the market does each control?
- What competitive advantages or disadvantages do these businesses have (location, price, quality, etc.)?
- For job creation projects, summarize the expected net job increase/decrease

### e. Market Capture Strategy

- What competitive advantages does/will the business have?
- Do the keys to success include location, prices, quality, selection, merchandising, distribution, service, etc.?
- Which of the above factors represents the most significant competitive advantage?
- Will the business attract new customers or draw customers to other businesses?
- What share of the market will the business capture?
- How does it intend to capture this share?

### f. Estimated Business Sales

- What is the projected sales volume in the first year of operation or expansion?
- What evidence supports these sales estimates?

### g. Management Capacity

- What is the experience of the principals and or managers of this business?